



Department for
Business, Energy
& Industrial Strategy

Review of the schemes to compensate energy intensive industries for indirect emission costs in electricity prices

Summary of Consultation Responses



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1. Introduction

On 14th June 2021, BEIS launched a consultation to review the schemes to compensate energy intensive industries for indirect emission costs in electricity prices.

The consultation was part of a wider review to provide an assessment of the risk of carbon leakage due to the indirect emission cost from the UK Emissions Trading Scheme (ETS) and compensation price support (CPS). It also examined whether mitigating this risk provided wider benefits, such as levelling up and supporting jobs, ensuring business viability until the point at which industrial decarbonisation technologies could be deployed and increase productivity.

The consultation was a key component of the review and presented initial proposals. Through it, BEIS sought views and evidence from both existing recipients and non-recipients on:

1. Evidence of carbon leakage, particularly as a result of indirect emissions costs from the UK Emissions Trading Scheme and Carbon Price Support
2. Sectors most at risk of carbon leakage due to indirect emission costs
3. The design of the scheme if there continues to be a rationale for compensation

BEIS sought views from a wide range of audiences, including energy intensive industries (whether currently benefitting or not benefitting from the compensation schemes), other electricity consumers, trade bodies, consumer associations, the devolved administrations and other interested parties. Stakeholders were provided with an opportunity to provide their views and evidence to the questions posed. This consultation ran for 8 weeks and closed on the 9 August 2021.

A total of 34 responses were received from stakeholders, including energy intensive companies, trade associations, and non-governmental organisations, among others. This document provides a summary of responses, and a full Government response will be published at a later date.

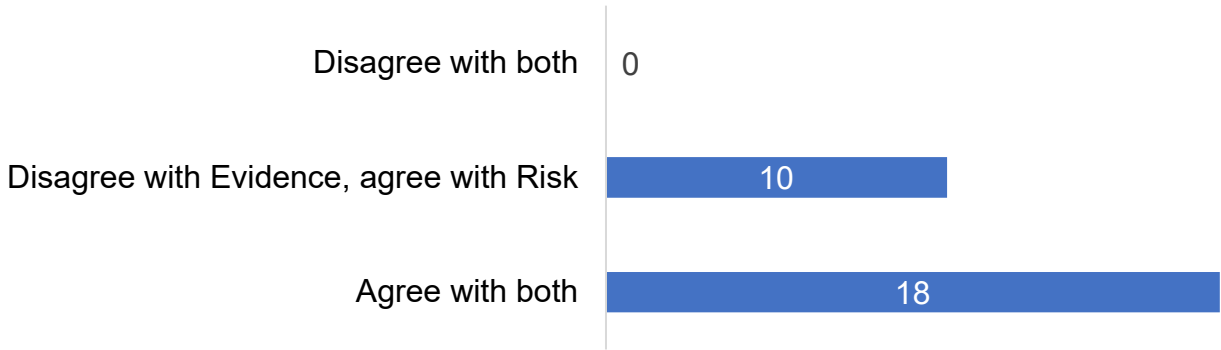
2. Summary of Responses

2.1 Analytical Approach to Carbon Leakage

Consultation Questions

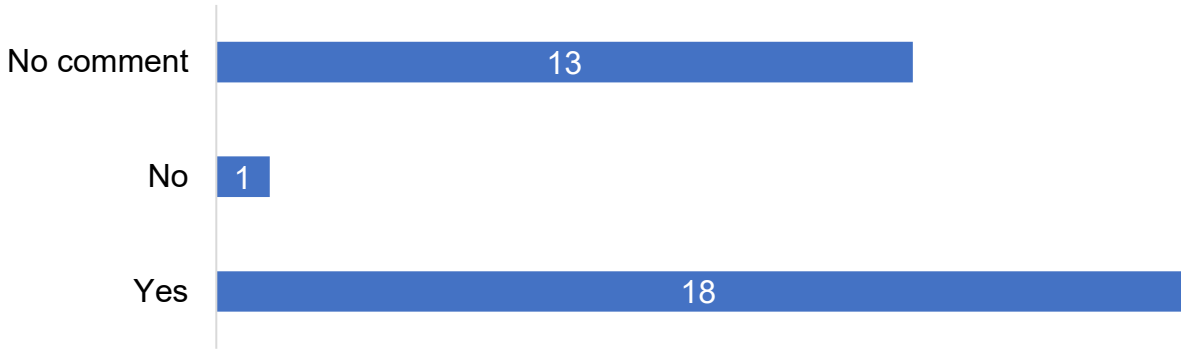
1. To what extent do you agree with the risks and evidence of carbon leakage for UK EITs?

Summary of responses



2. Is there any evidence of carbon leakage through indirect carbon emissions that you think has been missed in this section?

Summary of responses

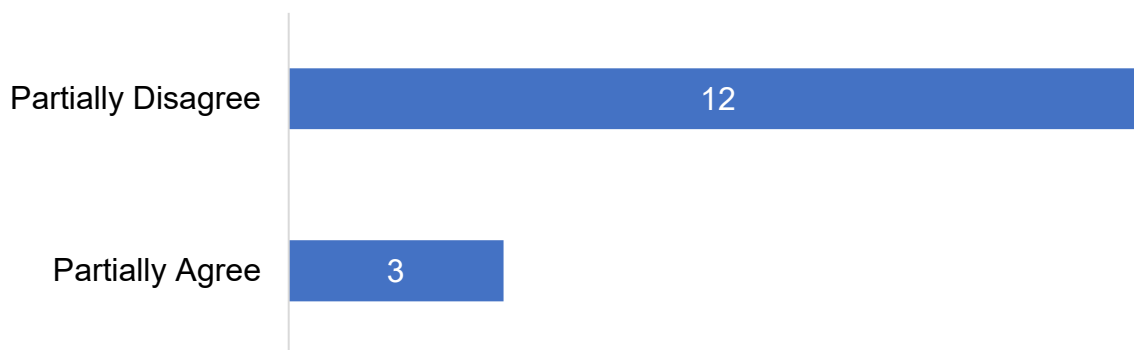


2.2 Eligible Sectors

Consultation Questions

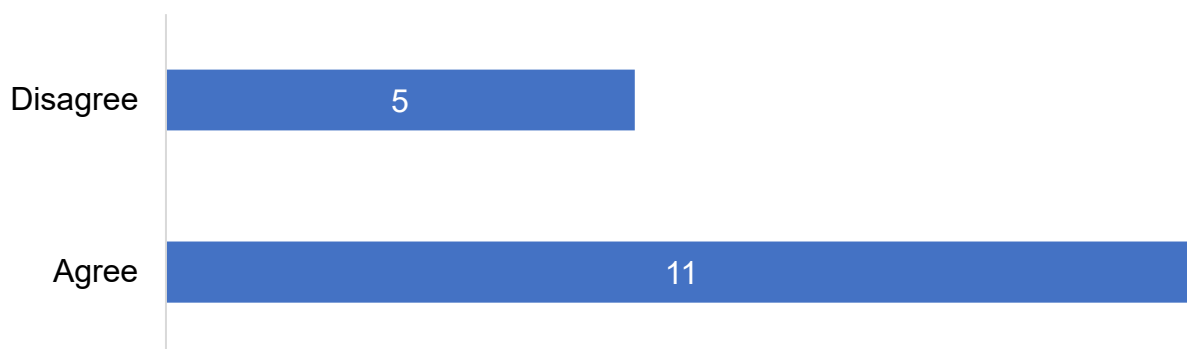
3. To what extent do you agree with the proposed methodology to determine sector eligibility?

Summary of responses



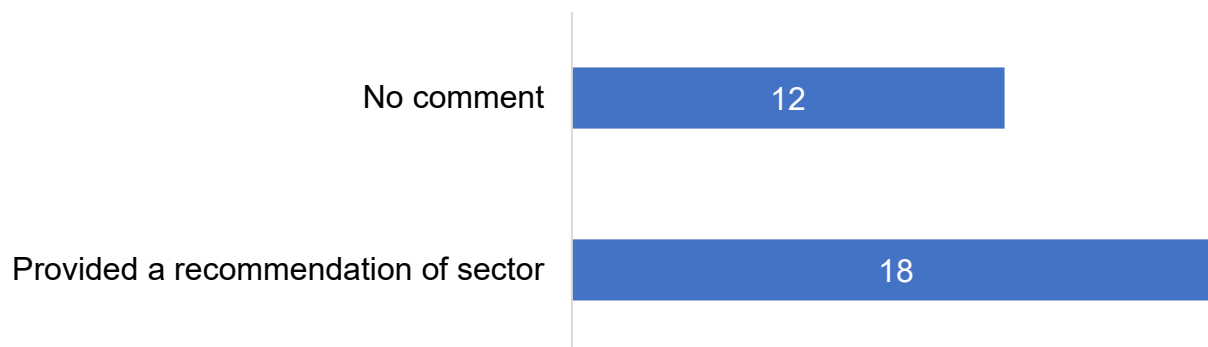
4. To what extent do you agree with the proposed list of sectors and subsectors that will be assessed under the proposed methodology for sector eligibility?

Summary of responses



5. Are there any sectors or subsectors that are at risk of carbon leakage and should be considered? Please provide evidence of the risk of carbon leakage.

Summary of responses

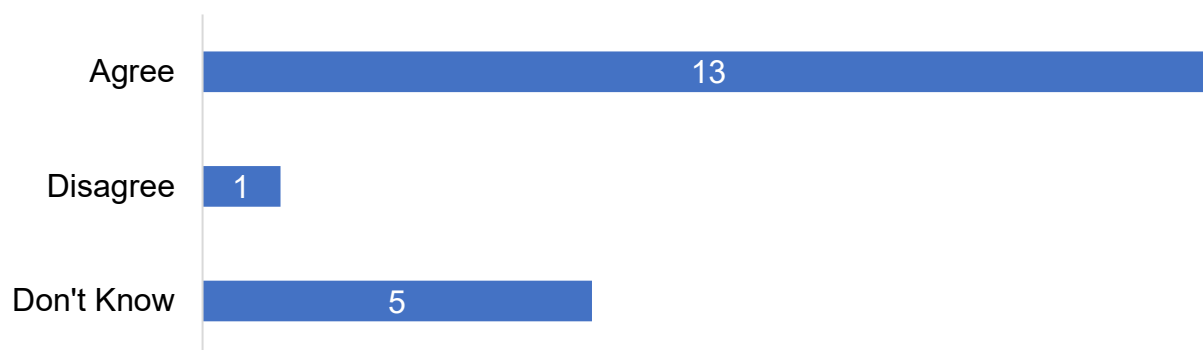


2.3 Business Level Test

Consultation Questions

6. Do you agree with our proposal to retain the business-level test and its exemptions? Please provide an explanation or information to support your view.

Summary of responses

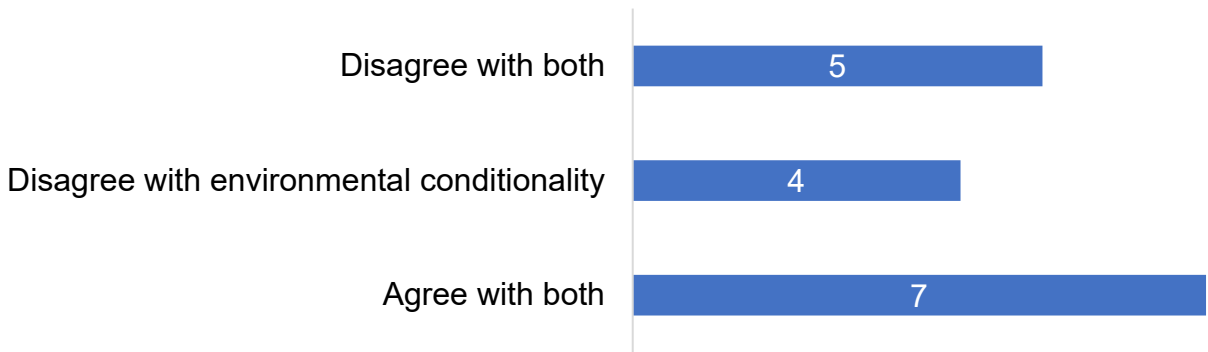


2.4 Design of the Compensation Scheme: Subsidy Intensity

Consultation Questions

7. Do you agree with our proposals to keep the subsidy at 75%, but also limit the indirect total emission cost due to the UK ETS and CPS to 1.5% of a company’s GVA in a respective year? Please provide an explanation or information to support your view.

Summary of responses



8. What would be the impact of lowering the aid intensity to 65% rather than 75%? Please provide an explanation or information to support your view

Summary of responses



2.5 Design of the Compensation Scheme: CO2 Emission Factor

Consultation Questions

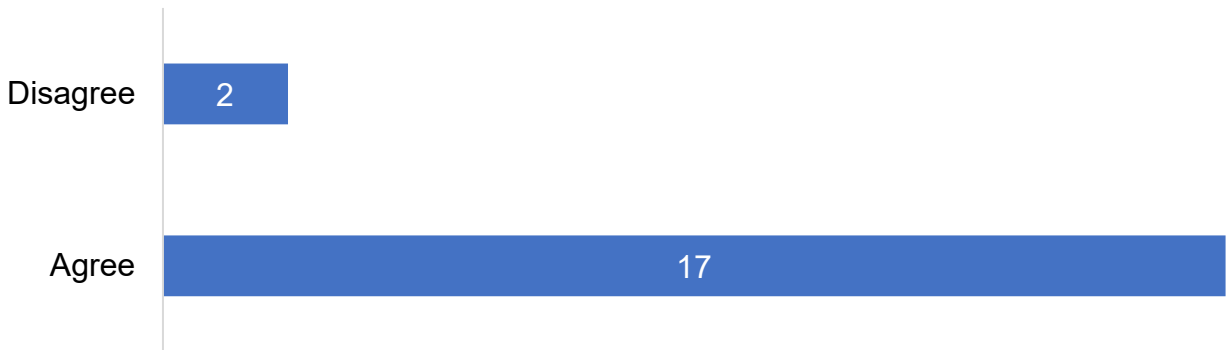
9. Do you agree with our proposal to apply the latest figure of the estimated carbon dioxide emissions per GWh of electricity supplied for all fossil fuels from DUKES and update the formula with this figure annually? Please provide an explanation or information to support your view.

Summary of responses



10. Do you agree with our proposal to continue applying the same CO2 emission factor to all sources of electricity supply whether auto-generation, electricity supply contracts or grid supply? Please provide an explanation or information to support your view.

Summary of responses

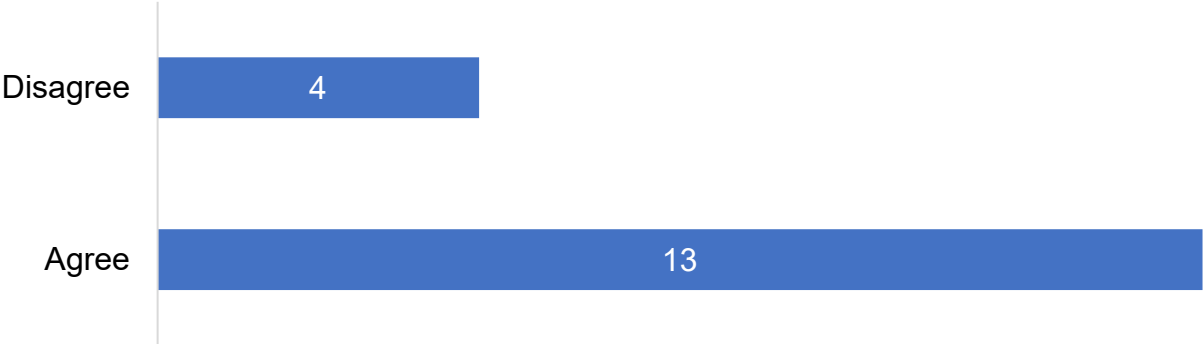


2.6 Design of the Compensation Scheme: Efficiency Benchmarks

Consultation Questions

11. Do you agree with our proposal to continue using the benchmarks that apply in Phase IV (2021-2030) of the EU ETS in the form of the product-specific electricity consumption efficiency benchmark, where available, or the fall-back efficiency benchmark of 80%, where not available, until having potential bespoke UK benchmarks, following the review of allocation of free allowances under the UK ETS? Please provide an explanation or information to support your view.

Summary of responses

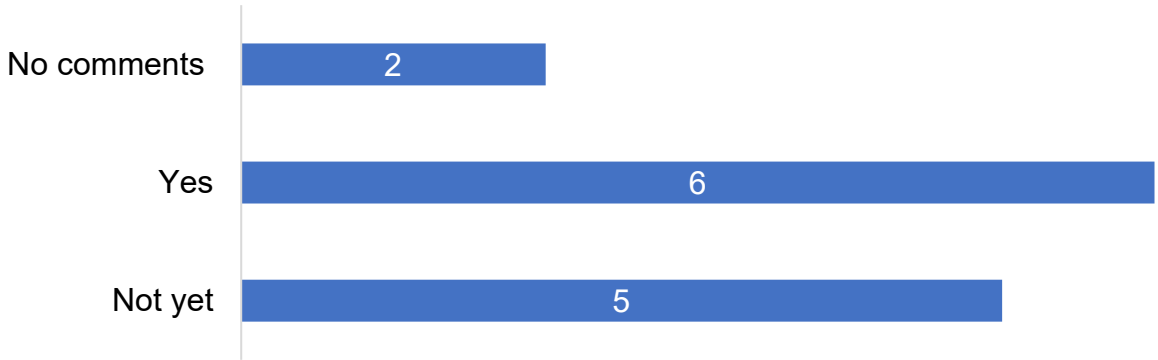


2.7 Design of the Compensation Scheme: Conditionality

Consultation Questions

12. Does your organisation currently have a plan to get to net zero?

Summary of responses



13. If so, how do you use compensation you currently receive to deliver on that plan?

Summary of responses



14. What conditions do you think would be most effective in incentivising greater energy efficiency or decarbonisation?

Summary of responses

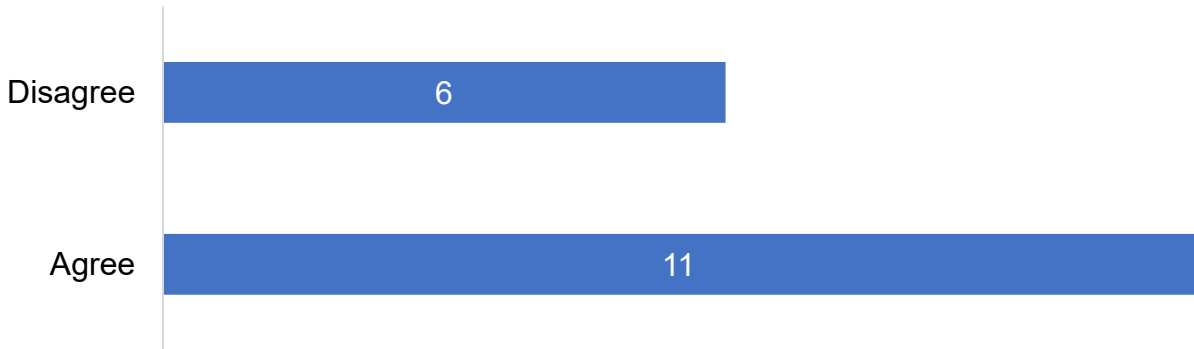


2.8 Design of the Compensation Scheme: Scheme Monitoring and Evaluation

Consultation Questions

15. Do you agree with our proposal to expand data monitoring of the scheme? Please provide an explanation or information to support your view.

Summary of responses



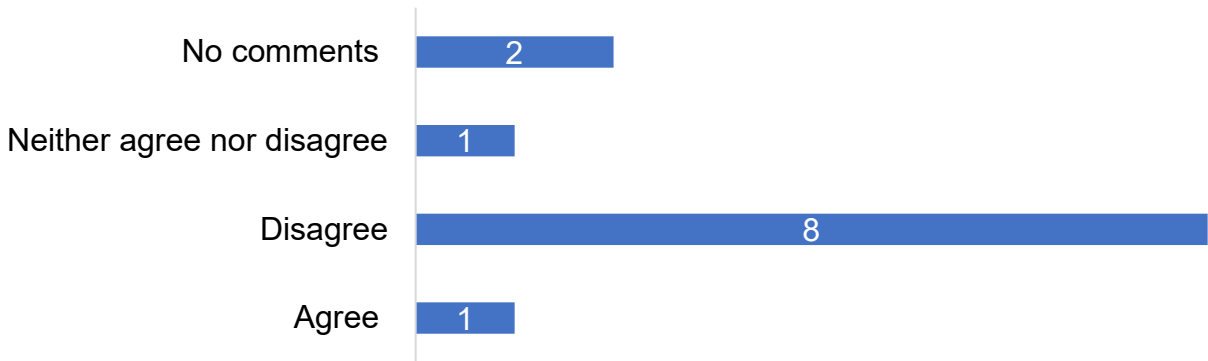
16. Do you agree with the proposed data requirements for quantifying the benefits of the scheme? Please provide an explanation or information to support your view.

Summary of responses



17. Do you agree with our proposal to add additional conditions to the schemes requiring businesses to reflect compensation received in their company accounts and to spend the compensation on its electricity costs? Please provide an explanation or information to support your view.

Summary of responses



3. Next Steps

This document is a summary of some of the feedback we received and the full response will be published at a later date.

This consultation is available from: www.gov.uk/government/consultations/review-of-the-schemes-to-compensate-energy-intensive-industries-for-indirect-emission-costs-in-electricity-prices

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