



Department for  
Energy Security  
& Net Zero

# Future of the Industrial Energy Transformation Fund

Supporting industry on the path to energy  
demand reduction and Net Zero.

Closing date: 21 July 2023



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Any enquiries regarding this publication should be sent to us at: [ietf@beis.gov.uk](mailto:ietf@beis.gov.uk)

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# Ministerial Foreword

The Prime Minister has tasked the new Department for Energy Security and Net Zero with improving the UK's energy security, creating greater energy independence consistent with Net Zero and reducing the risk of higher bills. 'Powering up Britain' published in 2023 sets out the steps the Government is taking to ensure the UK is more energy independent, secure and resilient.



As the UK races to Net Zero, we must support industrial sites to remain competitive on the world stage whilst taking action to reduce their energy demand and emissions. UK industry is vitally important to our economy, contributing £170 billion each year, directly accounting for 9% of the UK's GDP and providing 2.6 million direct jobs and over 5 million jobs across the value chain.

The policies and ambitions we have set out to in the Net Zero and British Energy Security Strategies will help leverage around £100 billion of private investment in the period up to 2030, as we develop new green industries and innovative low-carbon technologies, supporting up to 480,000 jobs in 2030.

The Industrial Energy Transformation Fund (IETF) is a core pillar of the government's industrial support package. The Fund targets existing industrial processes, helping industry to cut energy bills by investing in more efficient technologies and reduce emissions by adopting transformational low carbon technologies. Since the IETF launched in 2020, it has helped a broad range of industrial sites, based both within and outside of industrial clusters in England, Wales, and Northern Ireland. From small food processing businesses to large chemicals and metals manufacturers, successful projects cover a range of technologies from heat recovery to electrification, hydrogen fuel switching to carbon capture. The studies that the IETF supports are helping to build greater knowledge of these technologies and their potential applications, establishing a pipeline of shovel ready future investments.

Following on from this success, the Department for Energy Security and Net Zero have announced a further £185m of funding for the IETF. We therefore intend to launch a Phase 3 in 2024, subject to business case approval. I am delighted that the Fund continues to drive investments in energy efficiency and on-site decarbonisation measures, future proofing industrial sectors and the communities they employ. This consultation is a crucial step in ensuring that the IETF continues to deliver value for the taxpayer by supporting our vital green industries, and growing UK technological capability. It is also an opportunity for stakeholders to inform the development of future green industrial policies as the policy landscape and technologies continue to evolve.

Lord Callanan

Parliamentary Under Secretary of State for Energy Efficiency and Green Finance

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# Contents

Ministerial Foreword	3
General information	5
Why we are consulting	5
Consultation details	5
How to respond	6
Confidentiality and data protection	7
Quality assurance	7
The proposals	8
Consultation questions	10
Part 1 – Phase 3 of the IETF	10
Objectives	10
Eligibility and Scope	11
Funding mechanism and grant thresholds	12
Technologies	14
Application	16
Assessment	16
Monitoring and Verification	18
Part 2 – The long-term role of government support post 2025	19
Next steps	21
A. List of Consultation Questions	22
B. Glossary	24

# General information

## Why we are consulting

On the 30 March an extension to the Industrial Energy Transformation Fund was announced as part of the Powering up Britain package, increasing total grant funding by up to £185m. Subject to business case approval, Phase 3 of the IETF is intended to open for new applications in early 2024, supporting industry to cut their energy bills and carbon emissions through investing in energy efficiency and low carbon technologies.

Building on previous stakeholder feedback and lessons learned from earlier application rounds, the government is running a short consultation to seek views on the design of Phase 3 and the longer-term role of government support.

## Consultation details

**Issued:** 26 June 2023

**Respond by:** 21 July 2023

**Enquiries to:** [IETF@beis.gov.uk](mailto:IETF@beis.gov.uk)

**Consultation reference:** Industrial Energy Transformation Fund Phase 3 Consultation

### **Audiences:**

- Businesses that undertake industrial or energy intensive activities
- Organisations and individuals involved in the management of energy and carbon.
- Technology providers and innovators
- Other organisations such as trade associations, NGOs, consultants and academia and other bodies who have an interest in decarbonisation and energy use in the UK.
- Interested members of the public.

### **Territorial extent:**

IETF support is targeted at sites based in England, Wales or Northern Ireland, but we welcome views from any organisations or individuals that may be impacted by the scheme, whether that be as applicants, project partners, contractors or private citizens from anywhere in the UK. The scope of this consultation is therefore UK wide, however the funding scheme may apply differently in different regions – see Eligibility and Scope section below. We will ensure that future phases of the IETF are informed by robust responses from this consultation feedback.

## How to respond

**Responses should be submitted via the online survey (linked below).** You will be required to answer most of the questions and where it is not relevant enter N/A.

**Please do not:**

**Send answers via email** unless it is absolutely necessary/it is the only option available to you.

**Send separate documents** with information without answering the consultation questions, instead please provide all details in your answers.

**Respond online at:**

[beisgovuk.citizenspace.com/industrial-energy/industrial-energy-transformation-fund-p3](https://beisgovuk.citizenspace.com/industrial-energy/industrial-energy-transformation-fund-p3)

or

**Email to:** [IETF@beis.gov.uk](mailto:IETF@beis.gov.uk)

If responding by email, please include the following information:

- whether you are responding as an individual or representing the views of an organisation
- What type of organisation you represent:

Large business (over 250 employees), medium business (50 – 250 employees), small business (10 – 49 employees), micro business (up to 9 employees), individual, lender, trade union, supply chain, local government, trade association, academic, consultancy or other.

- Which sector you operate in:

Manufacturing (please specify); agriculture, forestry and fishing; mining and quarrying; electricity, gas, steam; waste management; materials recovery or recycling; construction; wholesale and retail trade; data centres; controlled environment horticulture; financial and insurance activities; professional, scientific and technical activities; NGO; public sector or other.

- What region of the UK you or your organisation are primarily located in:

London, South East England, South West England, East of England, West Midlands, East Midlands, Yorkshire and the Humber, North West England, North East England, Scotland, Wales, Northern Ireland or other. If your business is a subsidiary of a company headquartered outside the UK, please specify where it is headquartered.

- Whether you are located in a clustered or dispersed site:

Dispersed Sites are defined as sites outside a 25km radius from the 7 main industrial clusters: Grangemouth, Teesside, Humberside, Merseyside, South Wales, Southampton and Black Country.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

## Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

The IETF Team will share information with the Scottish IETF Team. This includes company details and responses. Personal data will not be shared. For any Scottish Industrial Energy Transformation Fund (SIETF) specific queries, please email [SIETF@gov.scot](mailto:SIETF@gov.scot).

## Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk).

# The proposals

The IETF was announced in 2018 and was set up to support existing industrial sites with high energy use to transition to a low carbon future. The IETF is helping industry to cut energy bills by investing in more efficient technologies and reduce emissions by bringing down the costs and risks associated with investing in deep decarbonisation technologies.

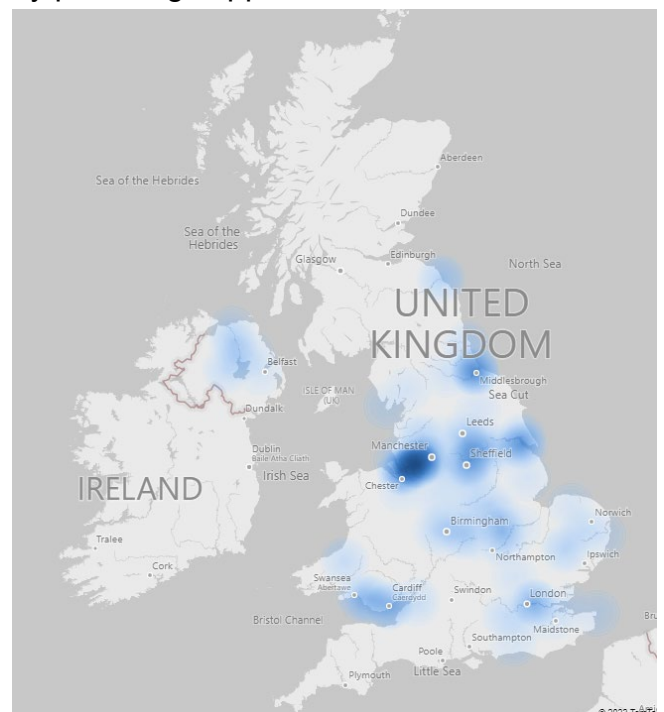
In Autumn 2019, the Government sought views to inform the development of the Fund<sup>1</sup>. The response to this consultation was published in two parts, ahead of the launches of Phase 1 and 2 of the Fund. The [2021 IETF Policy Statement](#), summarises the feedback received and sets out the rationale behind the evolution of the scope and design choices for Phase 2 of the IETF. We have continually improved the Fund between windows by listening to applicant feedback and actioning recommendations from an independent process evaluation<sup>2</sup>. Changes have ranged from refinements to the application form to scope updates, such as expanding the range of eligible processes to include Non-Road Mobile Machinery (NRMM) and broadening the sector scope to include sites that recycle and recover materials.

In setting the direction for the next Phase, it is important to review the role of the IETF in an ever-evolving policy and industry landscape, and to reflect on what investments IETF funding has helped to unlock.

The IETF remains the only technology neutral grant fund that supports the commercial roll out and permanent installation of Energy Efficiency (EE) and Deep Decarbonisation (DD) technologies at industrial sites within eligible sectors. By providing support for EE, the fund has bolstered industry's ability to respond to rising energy prices, helping sites to overcome capital barriers to investing in technologies that can immediately reduce their energy bills. Through support for DD studies and deployment projects, the Fund is helping to kick-start the industrial transformation required to meet Net Zero, especially by supporting first movers with complex, novel DD technologies.

The Government has run six competition windows to date: Phase 1 of the IETF opened in 2020, and the final window of Phase 2 closed at the beginning of 2023. Despite challenging economic circumstances over this period, we received a total of almost 500 project applications, a record 148 of which were submitted in the final, Autumn 2022, application window.

Assessment of the Autumn 2022 applications is underway, and we anticipate a large share of IETF funding to be allocated in this round thanks to an increase in the volume and scale of applications. To date, we have already allocated funding to over 130 projects and studies worth just under £160m. We have seen strong uptake from across England, Wales, and Northern Ireland, with the majority of awards going to sites in



<sup>1</sup> The Industrial Energy Transformation Fund; Supporting Industry on the Path to Net Zero, BEIS, 2019

<sup>2</sup> Industrial Energy Transformation Fund Phase 1: First Stage Process Evaluation, BEIS, 2021



dispersed locations, outside of clusters. The heat map shows the locations of these projects, where intensity signifies the overall amount of funding awarded.

Around half of funding allocated to date has gone to EE proposals and half to DD. Winners span the full range of eligible sectors.

Alongside grant funding, the IETF has offered support to help industry share knowledge and build partnerships:

- Over 500 organisations active on the [Networking Platform](#) hosted by Innovate UK KTN.
- Technology providers and industrial sites have provided videos showcasing their projects on the KTN run [Virtual Technology Marketplace](#) platform, and taken part in an [IETF Podcast Series](#).
- Webinars, clinics, and in-person events, covering sector and technology specific themes, as well as “How to Apply” sessions with tips on completing applications.

Details of IETF winners are published on [Gov.uk](#), which is updated regularly as new batches of projects sign their Grant Offer Letters and begin work. Following on from the success of the first two Phases, the Department for Energy Security and Net Zero intends to launch Phase 3 of the IETF, worth up to £185 million.

The Government is keen to refine the IETF design, ensuring that Phase 3 provides a robust offer to industry that is tailored to address current and future investment barriers. The scope and delivery model of the IETF should evolve to complement and fill gaps in a changing policy landscape, targeting projects that can have a transformative effect on industrial energy use and emissions. The Powering Up Britain publications, Net Zero Strategy, and British Energy Security Strategy capture important developments in the wider landscape including:

- The announcement of a new Business Energy Advice Service for Small and Medium Enterprises (SMEs) and launch of support for Local Industrial Decarbonisation Plans.
- Announcements on the first clusters to receive Hydrogen and CCS business model support and roll out of the Net Zero Hydrogen Fund.
- An extension of Climate Change Agreements to March 2025.
- Upcoming publications of strategies on Biomass and NRMM, and a call for evidence on Industrial Electrification.

This consultation is crucial in helping government to deliver the Fund, ensuring that all stakeholders have had an opportunity to give their opinion, enabling government to deliver policies which are informed by robust evidence. The consultation is split into two parts:

- Part 1 - Development of Phase 3, seeks views on IETF Objectives; Eligibility and Scope; Technologies; Project Assessment Criteria; and Monitoring and Evaluation.
- Part 2 asks for views on the long-term role of government support post 2025 which will help inform the development of future industrial policies.

# Consultation questions

## Part 1 – Phase 3 of the IETF

### Objectives

The objectives for Phase 3 will mirror the original objectives of the IETF: to reduce energy costs and emissions for UK industry in the near-term; and to bring down costs and risks of industrial decarbonisation technologies through demonstration. To meet these objectives the IETF was designed according to the following key principles:

- The IETF should be technology neutral and open to all Energy Efficiency (EE) and Deep-Decarbonisation (DD) technology solutions that meet the eligibility requirements around Technology Readiness Levels (TRLs), minimum technical and environmental standards and that are not sufficiently covered by other initiatives.
- The quality of applications will be tested through our fair, transparent, competitive assessment process, and minimum thresholds will be applied to criteria to ensure value-for-money.
- The IETF should support first movers, aligning with our objective to de-risk and lower the costs of decarbonisation measures through demonstration and knowledge sharing.
- The assessment of the IETF should be evidence based. All results of the assessment will be recorded in a way that ensures consistency, fairness, transparency and will be suitable for use in feedback to both successful and unsuccessful applicants.

As the policy and economic landscape evolves, we must ensure that the objectives of the IETF reflect what industry and government need to deliver progress against the Net Zero target. The questions in this section are designed to test whether the barriers that the IETF was designed to overcome have changed since the IETF was originally set up, and to identify whether stakeholders feel it is delivering on its objective to support first movers.

- 1. Is the IETF achieving its aims of supporting first movers?**
- 2. What are the main barriers to investing in deep decarbonisation or energy efficiency technologies?**
- 3. What role does the IETF play in addressing investment barriers, and does this differ to other public and private financing options?**

## Eligibility and Scope

To receive IETF support, businesses will need to evidence that they are carrying out an eligible industrial process at a site (or sites) that will be the focus of the study or deployment project. The [Standard Industrial Classification \(SIC\) codes](#) in the table below are proposed to be used to identify eligible industrial processes, similar to previous phases of the IETF. Businesses can self-identify the category of activity that best describes their processes, allowing for businesses to apply even if their official Companies House SIC record differs to the operations of the specific site that is applying to the Fund or they are not a limited company.

Eligible industrial processes	SIC codes
Mining and quarrying	05101 through to 05200 07100 through to 08990 09900
Manufacturing	10000 through to 33200
Recovery and recycling of materials	38320
Data centre	63110

Through this consultation we will seek views on whether there is a case for broadening or narrowing the range of eligible sectors for the IETF. Expansion opportunities could include sites involving highly energy intensive processes in non-traditional industries (e.g. Controlled Environment Horticulture) with significant potential to adopt technologies that are in scope for IETF support. When submitting feedback on this question (Q4), please explain how the IETF objectives would be supported by the proposed change.

In Phases 1 and 2 of the IETF, we specified that the industrial site(s) or data centre(s) must be located in England, Wales or Northern Ireland. A site is defined as the postcode, or multiple directly adjoining postcodes at which the industrial process takes place. The IETF is intended to support any investment or study relevant to *on-site* infrastructures that will enable an energy efficiency or decarbonisation measure.

We also intend to mirror the eligibility rules which require the business that owns the site to be registered in England, Wales or Northern Ireland. Government are considering our ability to support businesses registered in Scotland, but with sites located in England, Wales and Northern Ireland under the spending powers available for energy efficiency and decarbonisation schemes. We invite feedback on this consultation from sites who may fall within this definition, however the government policy position will ultimately be determined based on the viability of spending power options.

We intend that any investments supported under the IETF must be made at an *existing* industrial site(s) and that it will not support relocations or site expansion, or to repurpose a site to carry out a new industrial process, similar to the previous Phases. This ensures that the IETF support is targeted at investments that will reduce existing emissions and energy consumption, where the onsite savings can be monitored and evaluated.

Organisations of any size can apply to the IETF, and there are no eligibility thresholds relating to minimum or maximum site energy consumption. The vast majority of industrial businesses are SMEs, however large sites are responsible for a much larger share of total emissions and energy demand. Since the IETF was set up to support energy intensive industries, we would expect to see our portfolio skewed towards larger sites. The statistics on application numbers reflect this: across all application windows, 61% of applications have been submitted by large businesses and 39% of applications have been submitted by SMEs. Medium and large businesses have tended to be more successful, on average, at passing the eligibility and assessment stages.

Applicants can collaborate with other organisations, including other businesses, research organisations, universities, charities, and public sector organisations. Organisations that choose to collaborate with project partners to deliver a study or project are required to sign a collaboration agreement, formalising the payment and work arrangements. Alternatively, applicants can procure the expertise and skills of other organisations through sub-contractor arrangements. Applicants may claim for eligible project partner or contractor costs under the IETF.

We strongly encourage collaboration by industrial sites where this will improve the quality of the study or project, and where this can help build market capacity and knowledge of technologies that can be replicated and scaled at other sites.

- 4. Do you agree with the range of SIC codes proposed to determine IETF eligibility? If no, what additional categories of activity (using SIC code descriptors if possible) should be included or excluded and why?**
- 5. Do you agree with the decision to limit IETF support to existing sites and processes? Are there any opportunities being missed and, if so, how could the energy and emissions impacts of these projects be evaluated?**
- 6. Do you agree with the decision to limit IETF support to investments or studies that are relevant to onsite infrastructures only? Are there any opportunities being missed and, if so, what types of *off-site* investment should be permitted?**
- 7. Do IETF rules currently encourage collaboration and the creation of beneficial consortia arrangements? If no, how can we improve this?**

### Funding mechanism and grant thresholds

The IETF will offer grant funding against the up-front costs associated with conducting a study (typically labour and equipment costs) or deployment project (typically materials, labour, and equipment costs). Successful applicants must match-fund the grant offered by government, where the amount of the grant offer will depend on the size and location of the recipient. For example, a large company applying to the energy efficiency strand of the IETF could claim for grant support of up to 30% of the total eligible costs of their project, whilst this is up to 40% for medium sized businesses and 50% for small businesses. Businesses with sites located in an area of lesser economic advantage can also claim a higher grant. These rules are intended to target additional support at businesses that may face higher barriers to investing in the technologies that the IETF supports. Grant funding is paid out in arrears on a quarterly basis against agreed project milestones.

To receive IETF support, projects or studies (proposals) must fall within the stated minimum and maximum award thresholds in the table below. Unless otherwise specified, thresholds

refer to the minimum and maximum grant that can be applied for per proposal. The current thresholds are informed by stakeholder evidence on typical project costs that was collected in the previous IETF consultation. Maximum thresholds also align with EU subsidy control rules that apply to projects that are in scope of the Northern Ireland Protocol. The thresholds have been set at levels that we believe will encourage applications from a broad array of technologies and businesses.

Funding applied for	Minimum threshold per application	Maximum threshold per project
Energy efficiency deployment projects	£100,000	£14 million
Deep decarbonisation deployment projects	£100,000	£30 million
Engineering studies	£50,000 (total eligible cost)	£14 million
Feasibility studies	£30,000 (total eligible cost)	£7 million

Further details on grant thresholds and subsidy intensities can be found on page 18, and in section 4 of the [Autumn 2022 guidance](#).

Proposals located on the same site, or located across multiple sites, may be aggregated into one application provided that the following conditions are met:

- The proposals have the same lead applicant.
- The proposals take place on eligible sites owned by the lead applicant.
- The proposals are undertaken with the same project team (if the lead applicant chooses to work with a project team).
- The scope of the proposal meets the criteria of the strand of the competition you are applying for, such that: proposals considering energy efficiency and deep decarbonisation technologies cannot be aggregated together; studies and deployment projects cannot be aggregated together.

Provided these conditions are met, multiple deployment proposals may be combined to reach the minimum grant funding threshold of £100,000. There is no upper limit on the value of an aggregated application, and businesses may apply with as many applications as they like within or across IETF funding windows.

Stakeholder feedback suggests that the current minimum thresholds limit the ability of smaller businesses to apply for support. In deciding the parameters of the scheme, government must balance the benefits of a broad scope against the costs, both for government and applicants, of assessing, administering, and monitoring projects. We would welcome views on whether a change in the minimum thresholds of the IETF would be appropriate. As we received a small number of applications that reached the maximum grant thresholds, we are not considering raising the maximum grant threshold at this time.

- 8. Do you agree with the current minimum grant thresholds set by the IETF? If no, what amount should they be amended to? Please explain your rationale including details on what types of project and site would benefit from the change.**
- 9. What financing routes would you typically consider when developing a project? Do you have access to all the routes you need, and how do you determine whether grant funding is required to unlock investment in a project?**

## Technologies

The IETF supports applications across three competition strands:

- studies - feasibility and engineering studies to enable businesses to investigate identified energy efficiency and decarbonisation projects prior to making an investment decision
- energy efficiency - deployment of technologies to reduce industrial energy consumption
- deep decarbonisation - deployment of technologies to achieve industrial emissions savings

Studies should facilitate an investment decision in a specific technological solution. At the end of the study, we expect the applicant to have produced a report that meets the specification for a feasibility or engineering study. Studies should not be carried out as part of an options analysis, as a single technology should already have been identified prior to the study. For some specific technologies we will require additional areas to be considered within the scope of the study.<sup>3</sup>

The aim of the studies competition is to help build a pipeline of future deployment projects. There is no requirement for a feasibility or engineering study to have been carried out prior to submitting a deployment application, although a previous study may help to strengthen an application.

Deployment projects should result in the installation of onsite equipment/infrastructure necessary to deliver the intended energy or emissions savings. IETF funding can be used towards the costs of installing or retrofitting equipment on site. The IETF does not provide additional support for operational costs, testing or training.

The intention is to support the commercial roll out and permanent installation of technologies at industrial sites, rather than general research, development, and testing of a technology solution. Energy efficiency technologies must have been proven to work through successful operation and/or be qualified through test and demonstration, (equivalent to Technology Readiness (TRL) 8 and above. Deep decarbonisation technologies must have been developed at least as far as prototype stage at the scale of the plant, equivalent to TRL 7 or above.

Applicants must be able to describe the energy or emissions saving potential of the technology or technologies considered. Energy savings (MWh) and emissions savings (CO<sub>2</sub>e) must be measured and take place at site level. Savings should be demonstrated by a total fall in the energy consumed in the existing industrial process, or (if there is a resulting change in production) the energy saving per unit produced.

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<sup>3</sup> The Scottish IETF, administered by the Scottish government, has largely the same eligibility rules as the IETF, but also supports options analyses at study stage.

We intend that the IETF application guidance will specify that heat and energy recovery projects are only eligible where the recovered heat and energy is used to support the site's own industrial processes. Support will not be offered for projects which intend to use the recovered energy for non-industrial applications such as space heating or projects which intend to export heat or electricity for use at other sites. The list below provides a non-exhaustive list of the technologies that are in scope for support:

### Energy Efficiency (TRL 8 – 9)

- Process optimisation (control systems)
- Equipment upgrades
- Heat and energy recovery and heat pumps
- Resource efficiency measures

### Decarbonisation TRL (7 – 9)

- Fuel switching to lower carbon fuels
- Carbon Capture Utilisation and Storage

The IETF aims to be technology neutral in its support for EE and DD projects, leaving sites free to determine the most appropriate technology solution for their processes. We propose that the following activities will not be eligible for funding as they do not directly support the objectives of the IETF or are already eligible for support through other schemes:

- Repair and maintenance
- Building improvements (lighting, space heating and cooling)
- Fuel production
- Electricity generation
- Combined Heat and Power (CHP) plant installations and upgrades (unless supporting a fuel switch)
- Transport (other than NRMM used on the site)

Further details on the technology eligibility rules used in Phase 2 can be found in section 1 and Annex A of [the Autumn 2022 Competition Guidance](#). We anticipate that the technology eligibility rules for Phase 3 will remain largely unchanged. We will, however, use the evidence collected in this consultation to test this approach, and identify any changes that could improve outcomes for government and industry.

**10. At feasibility study stage, would industrial sites benefit from an expansion in scope so that the IETF funding can also support an options analysis of technologies?**

**11. Are there any other changes to the scope of activities eligible for study strand support that might improve outcomes?**

**12. Are there any other changes to the range of eligible technologies or scope of deployment strand support that might improve outcomes?**

## Application

The lead applicant needs to create an account, set up an application and submit the proposal. Applicants can invite others to collaborate on an application by inviting them to set up an account.

To streamline the application process, applicants are given the opportunity to aggregate up to five projects or studies (proposals) into one application. This is an option, rather than a requirement so they may choose to submit multiple applications or just one application. It is at their discretion to decide what would be the best approach for their business. They will be expected to take forward all proposals which are successful at award stage.

Previously unsuccessful proposals can re-apply to subsequent competition rounds. Feedback is provided on all applications. Applicants may improve their chance of success if they make changes to their original application based on the assessor feedback they received.

Once an application is submitted it undergoes an eligibility check to assess the eligibility of the proposal and check that it is in scope of the competition. If eligibility is confirmed, the application undergoes assessment for its economic strength, transformational nature and deliverability.

Applications that are successful at the initial assessment stage will need to undergo financial and organisational due diligence checks, which will be carried out by DESNZ, before any grant funding can be offered.

**13. Do you have any comments on the application process and delivery through to post award for the IETF? for the IETF? Please explain any practical considerations the government should consider when designing IETF Phase 3 or other future schemes.**

**14. Do you have a clear understanding of the range of government support that is available to you and how to access it? Please expand on your answer, describing how you currently identify funding opportunities and any ways in which the accessibility of this support could be improved.**

## Assessment

All applicants are asked questions to determine their eligibility and to inform an assessment of how well their project or study delivers against the IETF objectives. Applications that pass an initial eligibility check will proceed to the assessment stage, where each application is marked by three assessors. Each assessor submits their scores, which are then reviewed and moderated.

Applications for studies are assessed against the criteria below. Applications that pass minimum thresholds are ranked by overall score before being considered by the DESNZ Grant Award Panel.

- Study Overview
- Technical Feasibility
- Potential for Carbon and Energy Savings
- Study Cost / Value for Money



- Added Value (additionality)
- Replicability

Applications for EE and DD deployment projects will be assessed against the following criteria:

- **Economic Assessment:** This criterion assesses projects to determine if they represent good value for taxpayer money. This part of the assessment will take into consideration project elements such as: costs, benefits, additionality and risk to the benefits over the lifetime of the deployed asset. The main sources of benefit are the social value of reduced energy consumption, greenhouse gas emissions and air quality emissions.
- **Transformational Assessment:** This criterion assesses projects to determine their compatibility with HMG's Net Zero commitments, allowing applicants to justify their technology choices. DD projects are additionally asked to describe the novelty of the technology solution they have chosen.
- **Deliverability Assessment:** This criterion assesses the applicant's ability to successfully deliver the project, taking into consideration the proposed plan, team and project management.

Applicants must pass minimum thresholds to be considered for funding. EE projects are then ranked according to their score for the economic assessment, and DD projects are ranked according to their score for the transformational assessment before being considered by the DESNZ Grant Award Panel.

We send a post-application survey to all applicants seeking feedback on their experience. Through this consultation, we would like to give applicants and wider stakeholders an opportunity to provide further feedback on how the application process could be improved. To inform your answers, please refer to the details in the applicant guidance and online application form where possible<sup>4</sup>. Please also consider whether the changes you propose would:

- support the objectives of the IETF
- impact on the accuracy of the assessment process
- reduce or increase the complexity of the process for applicants

**15. Do you have any feedback on how the application questions and criteria used to assess IETF studies and deployment projects could be improved?**

**16. If you applied previously, please share your views on whether the application questions provided you with adequate opportunity to describe the purpose and scope of your study or project. Are there additional questions that should be asked, particularly in regard to evidencing that the proposal meets the IETF eligibility criteria?**

**17. If you applied to the deployment strand, did you find the economic assessment questions and project benefits calculator easy to understand and complete? Did you encounter any issues and what improvements could be made? In your view,**

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<sup>4</sup> <https://www.gov.uk/government/publications/industrial-energy-transformation-fund-ietf-phase-2-autumn-2022>

**does the IETF assessment process discourage applications for projects or studies that may have otherwise gone ahead without IETF support?**

**18. How could the assessment of “additionality” be improved, particularly in terms of identifying where investment exceeds existing commitments, such as Climate Change Agreement requirements?**

**19. In your view, is it appropriate to assess all applicants against the same criteria or should there be a different approach for certain businesses or projects?**

## Monitoring and Verification

The IETF is committed to longer term monitoring and evaluation of the benefits of the scheme. In order to achieve this, successful deployment projects will be required to produce a Monitoring & Verification (M&V) Plan and then to supply data in line with that plan for five years after the end of the project.

This plan must include:

- a methodology for calculating the “counterfactual” energy consumption of the process (per fuel) via an appropriate measurable metric (e.g. natural gas consumption or MWh of electricity used);
- a methodology for calculating the “counterfactual” emissions of the process (excluding energy consumption);
- how applicants will monitor and provide data on the benefits after the intervention, including but not limited to actual energy, emissions and bill savings;
- the methodologies applicants will use to verify the savings, including how changes in benefits data due to IETF (e.g. energy consumption, emissions, bill savings) will be isolated from other non-IETF changes to their production process that may occur during the reporting period;
- who will be responsible for measuring and verifying savings and on what timelines the data will be provided to DESNZ;
- a description of the process and a diagram outlining the measuring components and flows in/out of the Process Envelope.

M&V plans must include “counterfactual” data against which the project performance will be measured. This plan will involve long-term monitoring of the performance of the intervention using their suggested methodology, which will be verified by technical monitoring officers appointed by DESNZ.

The M&V plan must clearly identify how the data required by the applicant’s methodology will be measured and collected, including the specific meters and their locations within the industrial process which will be used. Successful applicants will need to measure and provide all data specified by their methodology to DESNZ no less than every six months accompanied by a small number of additional data items requested. DESNZ will use this data for the purposes of evaluation of the IETF against its objectives and calculating societal return on investment from the fund.

**20. Would the current level of technical detail required for M&V in the IETF application deter you from applying?**

**21. How can the IETF encourage further the sharing of knowledge of energy efficiency and deep decarbonisation measures between organisations?**

## Part 2 – The long-term role of government support post 2025

The wider policy landscape has changed a great amount since the IETF launched in 2020. We have seen the introduction of the Industrial Decarbonisation and the British Energy Security strategies, and CCUS and Hydrogen Business Models have been developed and updated.

Putin's illegal invasion of Ukraine has sparked an increase in energy prices, bringing even greater attention to the energy efficiency improvements that need to be achieved in industry. Looking ahead, the government has introduced a target to achieve a 15% reduction of final energy demand across the economy by 2030, against 2021 levels. The Powering Up Britain Net Zero Growth Plan sets out an indicative decarbonisation pathway for industry whereby, compared to 2021 emissions levels, GHG emissions could fall by 15% to 25% on average over 2023-27, 41% to 52% by 2030 and 62% to 75% on average over 2033-37.<sup>5</sup> The ETS and proposals to mitigate carbon leakage will help to accelerate action. Government is working with industry to better understand the sectors and locations that will require targeted support to meet this goal.

Alongside direct government support, the UK's public finance institutions, such as the UK Infrastructure Bank can play a key role in supporting sectors and technologies progress to commercial maturity and scale, helping address barriers to investment. Access to lending facilities could be crucial to help replicate and scale technologies initially funded by the IETF.

Launched in 2021, The UK Infrastructure Bank (UKIB) is a UK government-owned policy bank with £22 billion of financial capacity across its private and local authority lending arms. Its mission is to partner with the private sector and government to increase infrastructure investment to help to tackle climate change and promote economic growth across the UK. UKIB's first strategic plan, published in June 2022, sets out how it will deliver on its mission.

The following questions address support beyond Phase 3 of the IETF and will help to shape future governments longer term offer to industry, which could include further extensions to the IETF and/or improved access to lending.

**22. What do you see as the IETFs long term role in supporting industry to save energy and reduce emissions? Please consider how the IETF should interact with other decarbonisation and energy efficiency policies to avoid duplication and maximise value for money.**

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<sup>5</sup> Please see the Carbon Budget Delivery Plan for details of our policies and proposals for meeting the carbon budgets. The 'Meeting carbon budgets' section of the Carbon Budget Delivery Plan makes clear how we have reached the conclusion that Carbon Budgets will be met. Whilst the indicative pathway set out in the NZS remains our view of the most economically advantageous way to meet the Carbon Budgets, and we therefore continue to use it as a means of developing and testing policy, the pathway plays no role in our conclusion that that Carbon Budgets will be met.

- 23. Do you support the principle of technological neutrality in the IETF? Should any particular technologies or sectors be excluded or prioritised in future support should it become available?**
- 24. What type of support will industry need out to 2035 to enable energy efficiency and decarbonisation projects to be replicated and deployed at scale? Would any of the following provide an effective intervention: support for capital costs, operational costs, access to finance or information, clarity on grid capacity and connections or the availability of hydrogen, or capacity building?**
- 25. Which of the following would provide an effective funding mechanism for energy efficiency and decarbonisation projects out to 2035, and could any become more attractive or necessary: grants, loans, guarantees, and equity? Do you feel that the existing balance between these different types of government support is appropriate?**
- 26. Besides energy and emissions savings, what wider benefits could funds like the IETF deliver? How would you assess and evaluate these benefits?**

## Next steps

This consultation will be open from 26 June 2023 to 21 July 2023. We will also be holding virtual stakeholder events in June to gather further feedback and engage with the broadest set of stakeholders possible. We will use the responses to these consultation activities to inform the design and delivery of IETF Phase 3.

A summary of the consultation findings will be published in Autumn 2023, ahead of the launch of Phase 3 intended in early 2024.

## A. List of Consultation Questions

1. Is the IETF achieving its aims of supporting first movers?
2. What are the main barriers to investing in deep decarbonisation or energy efficiency technologies?
3. What role does the IETF play in addressing investment barriers, and does this differ to other public and private financing options?
4. Do you agree with the range of SIC codes proposed to determine IETF eligibility? If no, what additional categories of activity (using SIC code descriptors if possible) should be included or excluded and why?
5. Do you agree with the decision to limit IETF support to existing sites and processes? Are there any opportunities being missed and, if so, how could the energy and emissions impacts of these projects be evaluated?
6. Do you agree with the decision to limit IETF support to investments or studies that are relevant to onsite infrastructures only? Are there any opportunities being missed and, if so, what types of *off-site* investment should be permitted?
7. Do IETF rules currently encourage collaboration and the creation of beneficial consortia arrangements? If no, how can we improve this?
8. Do you agree with the current minimum grant thresholds set by the IETF? If no, what amount should they be amended to? Please explain your rationale including details on what types of project and site would benefit from the change.
9. What financing routes would you typically consider when developing a project? Do you have access to all the routes you need, and how do you determine whether grant funding is required to unlock investment in a project?
10. At feasibility study stage, would industrial sites benefit from an expansion in scope so that the IETF funding can also support an options analysis of technologies?
11. Are there any other changes to the scope of activities eligible for study strand support that might improve outcomes?
12. Are there any other changes to the range of eligible technologies or scope of deployment strand support that might improve outcomes?
13. Do you have any comments on the application process and delivery through to post award for the IETF? Please explain any practical considerations the government should consider when designing IETF Phase 3 or other future schemes.
14. Do you have a clear understanding of the range of government support that is available to you and how to access it? Please expand on your answer, describing how you currently identify funding opportunities and any ways in which the accessibility of this support could be improved.

- 15. Do you have any feedback on how the application questions and criteria used to assess IETF studies and deployment projects could be improved?**
- 16. If you applied previously, please share your views on whether the application questions provided you with adequate opportunity to describe the purpose and scope of your study or project. Are there additional questions that should be asked, particularly in regard to evidencing that the proposal meets the IETF eligibility criteria?**
- 17. If you applied to the deployment strand, did you find the economic assessment questions and project benefits calculator easy to understand and complete? Did you encounter any issues and what improvements could be made? In your view, does the IETF assessment process discourage applications for projects or studies that may have otherwise gone ahead without IETF support?**
- 18. How could the assessment of “additionality” be improved, particularly in terms of identifying where investment exceeds existing commitments, such as Climate Change Agreement requirements?**
- 19. In your view, is it appropriate to assess all applicants against the same criteria or should there be a different approach for certain businesses or projects?**
- 20. Would the current level of technical detail required for M&V in the IETF application deter you from applying?**
- 21. How can the IETF encourage further the sharing of knowledge of energy efficiency and deep decarbonisation measures between organisations?**
- 22. What do you see as the IETFs long term role in supporting industry to save energy and reduce emissions? Please consider how the IETF should interact with other decarbonisation and energy efficiency policies to avoid duplication and maximise value for money.**
- 23. Do you support the principle of technological neutrality in the IETF? Should any particular technologies or sectors be excluded or prioritised in future support should it become available?**
- 24. What type of support will industry need out to 2035 to enable energy efficiency and decarbonisation projects to be replicated and deployed at scale? Would any of the following provide an effective intervention: support for capital costs, operational costs, access to finance or information, clarity on grid capacity and connections or the availability of hydrogen, or capacity building?**
- 25. Which of the following would provide an effective funding mechanism for energy efficiency and decarbonisation projects out to 2035, and could any become more attractive or necessary: grants, loans, guarantees, and equity? Do you feel that the existing balance between these different types of government support is appropriate?**
- 26. Besides energy and emissions savings, what wider benefits could funds like the IETF deliver? How would you assess and evaluate these benefits?**

## B. Glossary

Acronym	Definition
CCA	Climate Change Agreements
CCUS	Carbon Capture Utilisation and Storage
CO <sub>2</sub> e	Carbon dioxide equivalent
DD	Deep Decarbonisation
EE	Energy Efficiency
ETS	Emissions Trading System
HMG	His Majesty's Government
IETF	Industrial Energy Transformation Fund
M&V	Monitoring and Verification
MWh	Mega-Watt hours
NRMM	Non-Road Mobile Machinery
Phase 1	Phase 1 supported energy efficiency deployment projects and studies. This included two competition windows in Summer 2020 and Spring 2021. This phase has completed.
Phase 2	Phase 2 supported energy efficiency and deep decarbonisation projects and studies. This included four competition windows in Autumn 2021, Spring 2022, Summer 22 and Autumn 2022. This phase has completed.
Phase 3	Phase 3 will launch in 2024, subject to business case approval.
SIC	Standard Industrial Classification
SIETF	Scottish Industrial Energy Transformation Fund
TRL	Technology Readiness Level



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This consultation is available from: [www.gov.uk/government/consultations/future-of-the-industrial-energy-transformation-fund](https://www.gov.uk/government/consultations/future-of-the-industrial-energy-transformation-fund)

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