Department for Energy Security & Net Zero

Future of the Industrial Energy Transformation Fund

Summary of Responses to the Consultation and the Government's Response

November 2023

Any enquiries regarding this publication should be sent to us at:
ietf@energysecurity.gov.uk

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1 General Information

1.1 Purpose

In March 2023, the Prime Minister tasked the Department for Energy Security and Net Zero with securing the UK's energy supply and seizing the opportunities of net zero to lead the world in new green industries. 'Powering up Britain', published in 2023, sets out the steps the government is taking to ensure that we are on track to deliver against these objectives. An extension to the Industrial Energy Transformation Fund (IETF) was announced as part of this publication, increasing total grant funding for the programme by £185m. Phase 3 of the IETF will 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. This includes £175m of capital budget from the £6 billion announced at the 2022 Autumn Statement to support DESNZ to deliver energy efficiency objectives from 2025 to 2028.

Building on previous stakeholder feedback and lessons learned from earlier application rounds, the government ran a short consultation to seek views on the design of Phase 3 and the longer-term role of government support. This document provides a summary of the consultation responses and the final design and delivery choices for Phase 3.

1.2 Enquiries to the IETF

Enquiries to: IETF@energysecurity.gov.uk

Territorial extent: England, Wales, and Northern Ireland[1].

[1] The Scottish Government opted for a separately administered Scottish Industrial Energy Transformation Fund (SIETF). For more details contact sietf@gov.scot.

2. Executive Summary

This document provides a high-level summary of the 112 responses to the consultation of 'The Future of the IETF', which ran from 26th June 2023 to 21st July 2023, and provides the UK government's response to these.

Phase 2 of the IETF closed for applications in February 2023. The government assessed that further support to overcome persisting investment barriers will help industry make faster progress towards net zero and energy demand reduction targets.

We concluded that a continuation of the IETF would be the most effective and timely way to provide support to industry, building on the momentum of previous rounds. Industry is familiar with the IETF and are supportive of the extension. We will use feedback from this consultation to feed into the development of Phase 3.

This summer, the IETF team consulted on the design of Phase 3 in the 'The Future of the Industrial Energy Transformation Fund'. The consultation was split into two parts:

- Part 1 – Development of Phase 3, which seeks views on IETF objectives; eligibility and scope; technologies; project assessment criteria; and monitoring and evaluation.
- Part 2 – Long-term role of government support post-2025, which asks for views on future support required to inform the development of future industrial policies.

We received 112 responses, all of which have been carefully considered. This document will outline our response to the information you provided in response to the consultation. The questions were designed to allow for quantitative and qualitative analysis of responses, and both have been included in this response.

The audience for this consultation was:

- 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

The overall response has shaped the design of the scheme for Phase 3, worth up to £185 million. Applications for Phase 3 will open in early 2024.

The main elements that most of the respondents favoured were to lower minimum grant thresholds for SME's, expanding on eligible sectors, and the inclusion of option analysis within feasibility studies. This document sets out the detail behind the final scheme design and the feedback we received on each proposal. An overview of the proposed design changes for Phase 3 are outlined below and in section 4:

- IETF will expand its sector scope to include Controlled Environment Horticulture activities and industrial laundries and textile renting facilities.
- Coal mining activities will no longer be eligible for funding through the IETF.
- Companies with industrial sites located in England, Wales or Northern Ireland, but registered in Scotland, will be able to apply to the IETF, providing they meet other eligibility requirements.
- The IETF will lower the minimum grant threshold from £100,000 to £75,000 for Small and Medium Enterprises (SMEs) only, and in tandem will look to simplify the application process.
- Applicants for deployment grants that exceed £5 million will be asked to provide a feasibility or Front-End Engineering Design (FEED) study in support of their application.
- The IETF will adapt its technology scope by lowering the eligible Technology Readiness Level (TRL) from 8 to 7 for energy efficiency (EE) deployment projects matching the requirement for decarbonisation projects. It will also allow end-use for waste heat recovery schemes in non-process heat demands and export to heat networks, subject to further development of bounding criteria.
- The IETF will allow site relocations, subject to clearly defined constraints to ensure the basis upon which a grant award is given still holds through the relocation process and monitoring and evaluation (M&E). It will also allow study projects to include offsite infrastructure, subject to clearly defined battery (boundary) limits.
- The IETF will expand the scope of feasibility studies to include option analysis in the same strand (EE or DD).

2.1 Next Steps

The first IETF Phase 3 window will launch in January 2024 and close in April 2024. Phase 3 applicant guidance will be published in January 2024, and DESNZ will host various webinars and clinics to promote the fund and give potential applicants the opportunity to ask questions about the Phase 3 competition window. A further, final Phase 3 competition window will launch in summer 2024.

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: bru@energysecurity.gov.uk.

3. Industrial Decarbonisation Landscape

3.1 Long Term Planning

Industry is responsible for c.18% of UK emissions, 76.4MtCO2e, and industrial emissions have fallen by 48% against 1990 levels. Further industry action is required to meet the UK's commitment to cut total emissions by 78% by 2035 and cut final energy demand by 15% across the economy by 2030, against 2021 levels. The IETF will help industry meet these ambitions through its support of energy efficiency and decarbonisation projects.

The current government funding landscape has been designed to provide businesses with complementary avenues of support to overcome barriers at each stage of the investment cycle, from initial idea to deployment and operation. 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.

The targeted intervention of the IETF aims to promote industrial growth and future proof industry through its support of transformational technologies, encouraging inward investment through match funding.

The IETF remains the key UK government-funded technology-neutral grant fund that supports the commercial roll out and permanent installation of EE and decarbonisation 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 decarbonisation studies and deployment projects, the Fund is helping to kick-start the industrial transformation required to meet net zero, especially by supporting early movers with complex, novel decarbonisation technologies.

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 launch of a new pilot 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, the roll out of the Net Zero Hydrogen Fund and the first electrolytic hydrogen production allocation round.
- An extension of Climate Change Agreements to March 2025.

The objectives for Phase 3 will mirror the original objectives of the IETF: to reduce energy consumption and reduce emissions for UK industry in the near-term; and to bring down costs and risks of industrial decarbonisation technologies through demonstration. Volatile energy prices and a push for national energy security mean it is vital that we seek out and support opportunities to reduce energy demand.

4. The Consultation Exercise

The Future of the IETF consultation sought views on the detailed scheme design features for Phase 3 of the Fund. The consultation was published by DESNZ on 26th June 2023 and ran for a period of four week, closing on 21st July 2023.The consultation consisted of 26 questions. Questions were designed to have an initial closed (yes/no/not sure) element followed by the opportunity to expand on the rationale for their answer. For example:

a) Do you agree with X proposal? (Y / N / NS)

b) Please expand on the rationale of your answer and give evidence where possible

This document outlines our response to each question posed in the consultation, providing a summary of the feedback received and the UK government's response. As many of the questions were either partly or entirely open ended and allowed respondents to expand on their answers, our response is often informed based on the most frequently made points, which have been identified as the key themes. We have, however, aimed to provide a discussion of the nuances in the responses and the range of views, which often differ by company and sector type. We recognise the need for government schemes to adapt to these distinct industry needs.

In our response to each question, we respond to feedback, outlining our intent, offering further justification or an explanation of the policies where necessary.

The consultation provided an overview of the design of the IETF for Phases 1 and 2, proposing that the design and scope would remain unchanged, unless otherwise specified. Table 1 provides an overview of the key IETF design features covered by the consultation and the final government decision on the design changes. Further detail on analysis and final design proposals are included in each response.

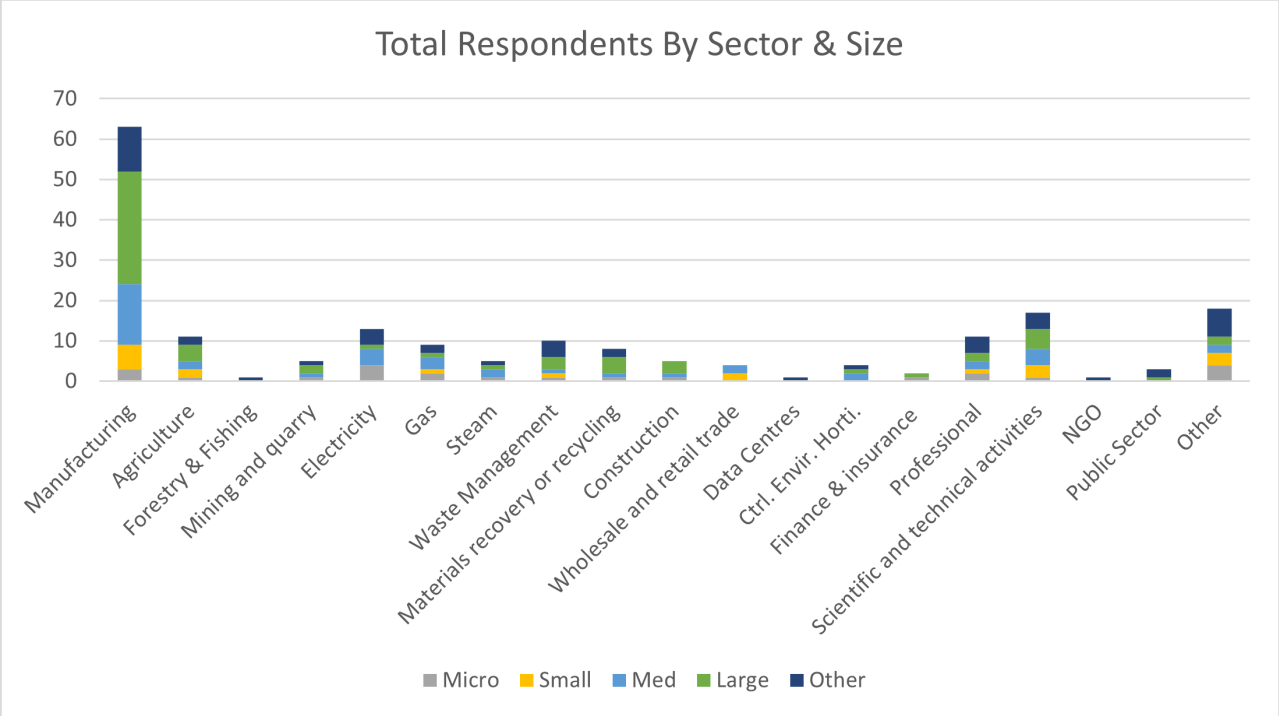
Table 1: Summary of design and scope changes in Phase 3 of the IETF

Theme	Changes in Phase 3
Eligible sites	Eligibility will expand to include Controlled Environment Horticulture (SIC 1110, 1130, 1190, 1240, 1250, 1280, 1290, 1300, 1610) and Industrial Laundry and Renting Facilities (SIC 96010).
	Coal mining activities will no longer be eligible for funding through the IETF.
	Companies with sites located in England, Wales or Northern Ireland, but registered in Scotland will now be eligible to apply to the IETF as lead applicants, provided their application relates to processes carried out at their sites in England, Wales or Northern Ireland. Lead applicants can collaborate with project partners registered in England, Wales, Northern Ireland or Scotland. The IETF excludes sites in Scotland, which can seek support through the Scottish IETF.
Project scope	The IETF will support site relocations, subject to clearly defined constraints which ensure the basis upon which a grant award was given continues through the relocation process.
	We will allow study projects to include offsite infrastructure, subject to clearly defined battery (boundary) limits. There will be no change to the scope of deployment projects, which will continue to provide support towards the costs of onsite investments only.
Funding mechanism and grant thresholds	We will decrease the minimum grant threshold for deployment projects to £75,000 for SMEs only.
	We will consider ways to streamline processes to help simplify the application.
	We will ask companies with high value deployment projects, where the grant request exceeds £5 million, for additional details to support the accuracy of the value for money assessment and streamline due diligence processes. These projects will be required to provide a feasibility or FEED study in support of their application.
Eligible technology solutions	Expand the scope of feasibility studies to allow for the inclusion of option analyses, where a company may investigate more than one technology solution provided these are intended to deliver the same outcomes (either energy efficiency improvements or decarbonisation of the process).
	Lower eligible TRL to 7 for EE deployment projects, matching the requirement for decarbonisation projects. This will take effect in both the deployment and study strands of the competition.
	Applications for waste heat recovery projects will be allowed to additionally consider non-industrial end-uses for the waste heat, including space heating and export to heat networks. The primary end use of the recovered heat should be the industrial process.

5. Government Response

Overview of Respondents

A total of 112 responses were received: 19% of respondents were trade associations, 35% were large businesses and 42% were SMEs.



The majority (57%) of respondents were from the manufacturing sector, but there also had good representation from agriculture, power, mining and quarrying, and waste management and recovery sectors.

The "Other" category includes trade associations, consultancies, technology providers, research centres and think tanks, which were also well represented in the responses.

The IETF operates in England, Wales and Northern Ireland, and we received a good spread of responses across each of the nations.

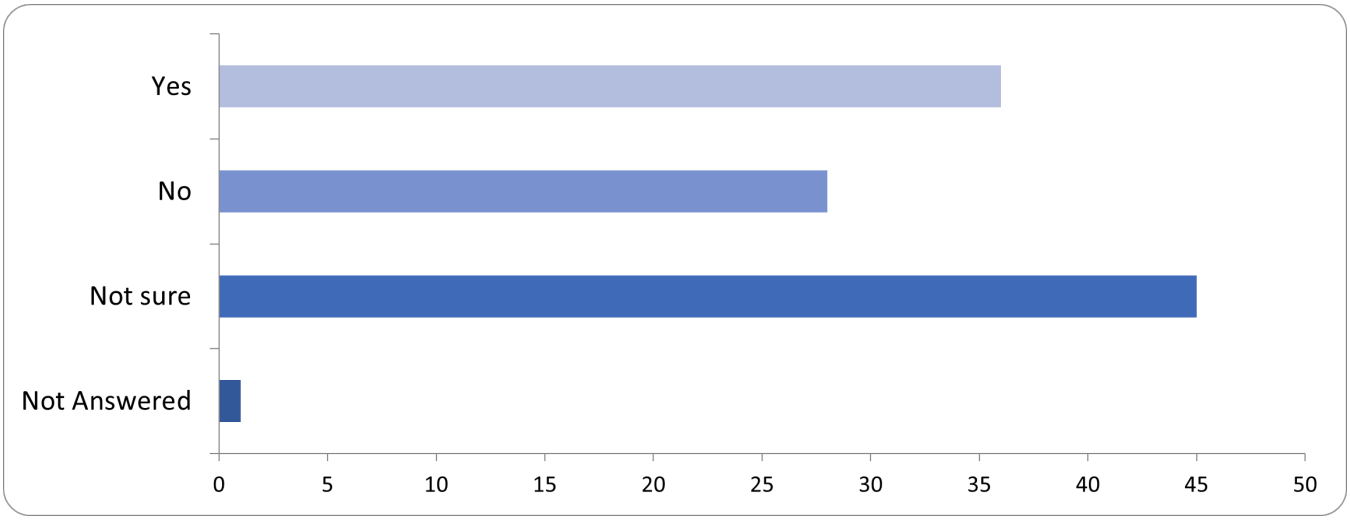
Scottish companies were invited to respond to the IETF consultation and responses will be shared with the Scottish Government to help refine any future Scottish IETF. The proposed design changes documented in this government response are only for the DESNZ IETF.

The strong representation of companies based both within and outside of industrial clusters provides useful intelligence for the IETF and wider DESNZ decarbonisation policies.

Part 1 – Phase 3 of the IETF

In this section we have excluded data from respondents who opted not to answer the question. Percentages are calculated excluding the percentage of respondents who did not answer.

Q1a. Is the IETF achieving its aims of supporting first movers?



Option	Total	Percent
Yes	36	33.03%
No	28	25.69%
Not Sure	45	41.28%

Q1b. Please expand on your answer

We received 109 responses on the above question. Of those who answered, 40.91% were unsure if the IETF was achieving its aims of supporting early movers. 32.73% agreed and 25.45% disagreed. Respondents acknowledged that the IETF helps to reduce the risks associated with investing in decarbonisation and EE. This is achieved mainly, according to the results presented, in its potential for knowledge sharing amongst industry.

A significant trend from the responses was a call for a broadening of the IETF eligibility criteria. Respondents remarked that the Fund is not supporting potential first movers due to the limitations on eligible sectors. Notable ineligible sectors mentioned were renewables, geothermal, and solar.

Additionally, restricting eligibility to existing sites was believed to be a barrier for first movers and this prevented start-ups from applying to the Fund, as it did not allow the transfer of an industrial process from one site to a newer, more efficient, site.

Another common theme amongst respondents was the feeling that support offered by the IETF was not long-term enough to support transformational projects. The deadline to complete projects meant that deploying larger, more novel, technologies would not be feasible. However, due to the spend deadline for the IETF, this is not something we can alter in the upcoming phase of the IETF.

Another common theme that emerged from the responses was the issue of the IETF's success with SMEs. Given that SMEs make up the majority of businesses in the UK, they are seen as

a crucial element of industry to incentivise towards decarbonisation and implementing energy efficiency measures. Issues such as the high grant thresholds for EE and decarbonisation deployment projects and the depth of the application process disadvantaged SMEs, as they have fewer internal resources to handle large administrative processes.

Several claimed that the high TRL requirements for applicants acts as a barrier for innovative technologies.

The difference in public investment from the UK Government versus American and European peers was also raised. It was suggested by some respondents that the requirements for match funding in programmes like the IETF limits the impact and accessibility of the UK funding offer, particularly for SMEs.

Our Response

Knowledge sharing has been a key element for the IETF to ensure industry have access to the lessons learned which in turn can build confidence in investments into these technologies. Seeing the respondents also agreeing that is a crucial factor for the IETF to reach it objectives sends a positive signal that applicants will be willing to share information and we will look to actively promote and publish these cases.

We have considered the calls to expand the scope of the IETF to incorporate fuel production and electricity generation as both eligible technologies, and eligible sectors. The issue of sector eligibility is addressed in the response to question 4 and technology eligibility in question 12.

The objective of the IETF is to reduce existing site and process emissions and energy use. We did not receive evidence through the consultation to suggest how broadening the scope to support the establishment of new sites and processes could deliver against this objective (see question 5 for more details). We do recognise the large opportunities for innovation amongst disruptors and new start-ups but assess that the IETF would not be the appropriate mechanism to support these types of projects. DESNZ offers funding for innovative technologies and companies through the Net Zero Innovation Portfolio, and further support is available from UK Research and Innovation programmes.

The IETF is restricted by the allocated spend deadline and therefore this cannot be extended for Phase 3, as has been requested by respondents. We will, however, consider the options beyond Phase 3 for providing longer term funding certainty.

The feedback received on the issues that SMEs are facing has been carefully considered and changes to Phase 3 of the IETF have been detailed below in question 8. Please see our analysis to question 12 for our response to the potential to lower TRL requirements for IETF applicants.

Q2. What are the main barriers to investing in deep decarbonisation or energy efficiency technologies?

109 respondents answered this question and could choose multiple options. Of those who answered, high capital expenditure (CAPEX) costs were sighted by 66% of respondents as the main barrier to investing in EE or decarbonisation technologies.

High CAPEX costs	66%
Payback period too long	24%
Policy uncertainty	19%
Lack of skills / knowledge	18%
Risks of technologies (commercial, operational)	16%
Lack of ‘tried and tested’ examples	13%
Energy costs	12%
Access to finance	7%
Lack of existing technology	6%
Reduced competitiveness	6%
Lack of existing infrastructure	6%
Availability of Hydrogen	6%
Lengthy Application Process	5%
Supply Chain Delays	4%

Related financial barriers were also highlighted, including long payback periods, access to capital, high OPEX costs post-installation, high energy prices (primarily for electricity compared to gas but the availability and cost of hydrogen, biomass, and biogas were mentioned by several respondents), and cashflow issues caused by paying grant funding in arrears.

Respondents flagged a need for policy certainty from government. Several respondents noted the need for policy clarity regarding the interactions between the UK Emissions Trading Scheme (ETS) and hydrogen and Carbon Capture, Utilisation and Storage (CCUS), as well as the need for business models for hydrogen and CCUS in order to incentivise action.

Industry and company-specific barriers were also flagged by respondents, particularly regarding a lack of the technical skills necessary for deploying and scaling highly technical projects. Related, a lack of industry collaboration on best practice was mentioned, along with a lack of 'tried and tested' available examples of existing technologies and their applications.

Lengthy planning processes for infrastructure changes, competing business priorities, lengthy investment cycles and aversion to risk were noted by several respondents as well.

Finally, technology and infrastructure issues were flagged by some as a barrier. Several noted the lead time for technologies along with supply chain issues (although some noted this was easing), the lack of existing technology for specific sectors, along with a lack of infrastructure such as connections to the National Grid, as hampering progress. SMEs in particular highlighted additional barriers after costs, being lack of knowledge, skills and resource.

Our Response

Due to the importance placed on high CAPEX costs as a key investment barrier by the majority of respondents, we will not deviate from the existing IETF approach of providing grant support to help offset the upfront invest costs of EE and decarbonisation technologies.

We appreciate industry's continuous ask for long term policy certainty and understand the importance this has on investment decisions. This is one of the reasons for the extension to the IETF, which is a Fund that industry is familiar with and can provide some continuity in support.

There is work happening to tackle the skills and knowledge gap that industry face. Energy Savings Opportunity Scheme audits are mandatory for large businesses (and SMEs that are in the same corporate group as at least one large business). The pilot Business Energy Advice Service aims to target SMEs by helping them access audits for energy efficiency measures. The Local Industrial Decarbonisation Plan Fund will help co-located industrial sites (of any size) to investigate decarbonisation options. Having identified technology solutions, in many cases firms will be able to self-fund the deployment of those technologies. Where barriers are too high, however, the IETF fills a unique role in supporting the investigation and deployment of transformational technologies.

We recognise the issues that supply chain disruption, cost uncertainty, and delays in planning permissions create for the development and execution of projects. At application stage we will continue to ask companies to provide an honest assessment of how these issues may impact on their project and will work with successful applicants to identify reasonable mitigations and milestones to maximise the chance of the project's success. We hope that by extending the scope of the studies strand to support options analysis, companies will have the opportunity to explore a range of technologies thus improving their knowledge of the costs, risks and opportunities.

Q3. What role does the IETF play in addressing investment barriers, and does this differ to other public and private financing options?

109 respondents answered this question. Of those who answered, the most common theme, raised by around half, was the importance of the IETF de-risking investment by providing access to capital. One respondent said the IETF 'acts as a springboard' to secure investment. It best achieves this by making funding available for projects and studies which may otherwise not go ahead and by accelerating investment in decarbonisation and EE technologies which may not otherwise be economically viable.

Several respondents said the IETF signals government's commitment to decarbonisation and Net Zero, which can also attract additional private investment. Some respondents explained how they thought the IETF differs to other public and private financing options. Points raised were that IETF support is:

- More suitable for smaller scale projects compared to other financing options due to the maximum amount of funding available under the IETF;
- More targeted at the specific needs of the investment in comparison to tax breaks;
- More secure and better value for money as it is backed by Government; and
- Essential, as loans increase debt.

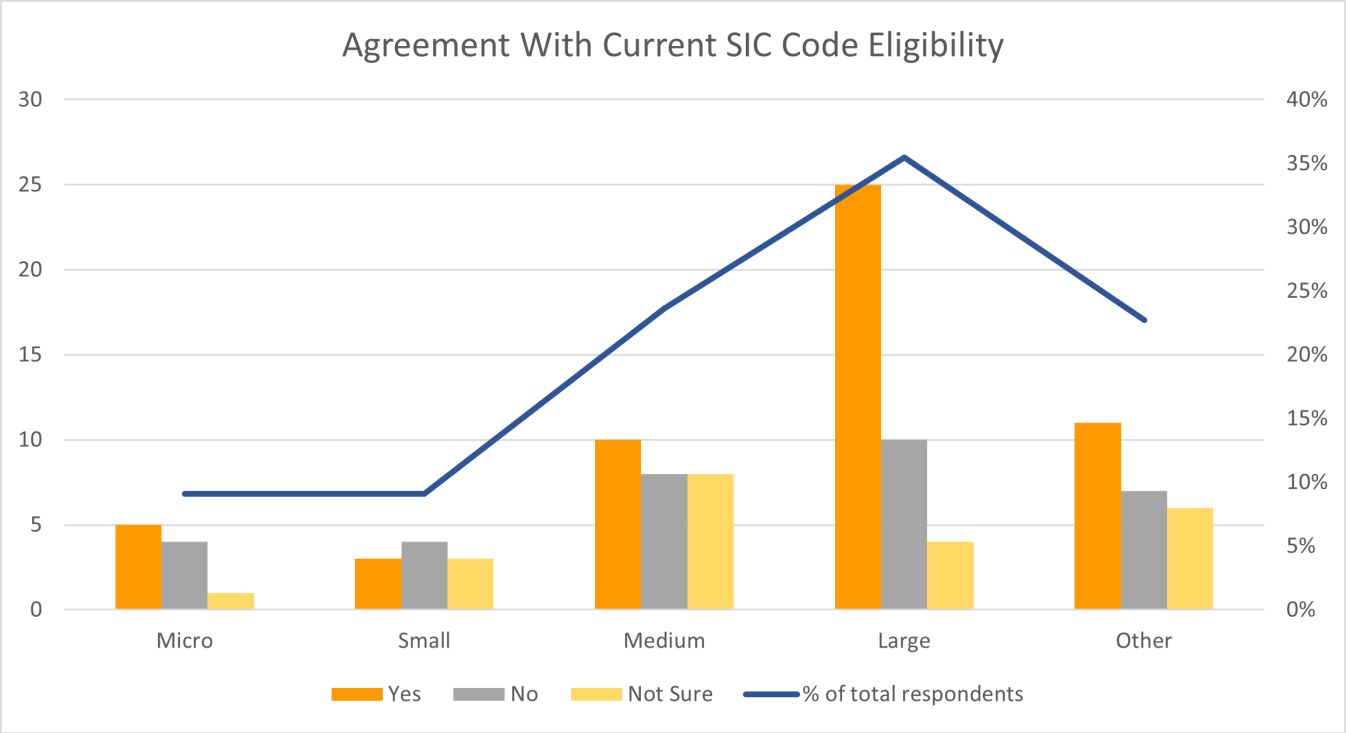
There were mixed views on the knowledge base of private financers with two respondents saying they lack bespoke knowledge to understand complex and bespoke EE and decarbonisation but are faster and simpler than Government funding options like the IETF, stating that the time to find out whether an application was successful is a drawback.

There were mixed views on the amount of funding provided by the IETF, particularly that funding should be increased as applicants may be deterred by the likelihood of success and the availability of greater subsidies abroad (compared to the US, for example), which make investments there more attractive than in the UK. However, a few respondents said that IETF is generous and stands out in comparison to other options. A couple of respondents noted the importance of operational expenditure to address long-term barriers, with IETF grant funding not providing that support.

Our Response

We believe that the IETF continues to fill an important role in the policy landscape for EE and decarbonisation technologies. We welcome the views from industry identifying the unique role that the IETF plays in supporting the permanent demonstration, replication and scale up of technology solutions. Respondents did not identify any clear disincentives or unhelpful overlaps with other schemes as a result of the scope or design of the IETF. On this basis, we believe that there continues to be a strong rationale for government intervention via the grant funds that the IETF provides.

Q4a. Do you agree with the range of SIC codes proposed to determine IETF eligibility?



Option	Total	Percent
Yes	54	49.54%
No	33	30.28%
Not Sure	22	20.18%

Q4b. Please expand on your answer. If no, what additional categories of activity (using SIC code descriptors if possible) should be included or excluded and why? If yes, why do you think this range of SIC codes is sufficient?

93 respondents answered this question. Of those who answered, there was generally a positive response to the range of current SIC codes proposed under the IETF. However, it was only large companies who responded to this question with clear positivity. Respondents from SMEs were more evenly split between agreement of the current SIC codes used. A wide range of additional categories of activity (largely referencing their own SIC codes) were listed that respondents felt should be eligible for the IETF.

49% of respondents agreed with the current scope, though there were suggestions for additions that include controlled environment horticulture, industrial laundries, hydrogen transition technologies, and renewables.

Our Response

The IETF will maintain its policy position to not support fuel production, electricity production and transmission, and energy from waste production sites. Our rationale for excluding

standalone power generation is that our intent is to decarbonise and reduce energy consumption from industrial processes. By opening up the scheme to support companies with power generation SIC codes, it is possible that support could be used in applications that do not have a direct (or indirect) impact on industrial emissions since the power could be used for other purposes.

The IETF will maintain the range of manufacturing codes which already encompass a wide range of sectors, as well as continuing to support data centres and recovery and recycling activities.

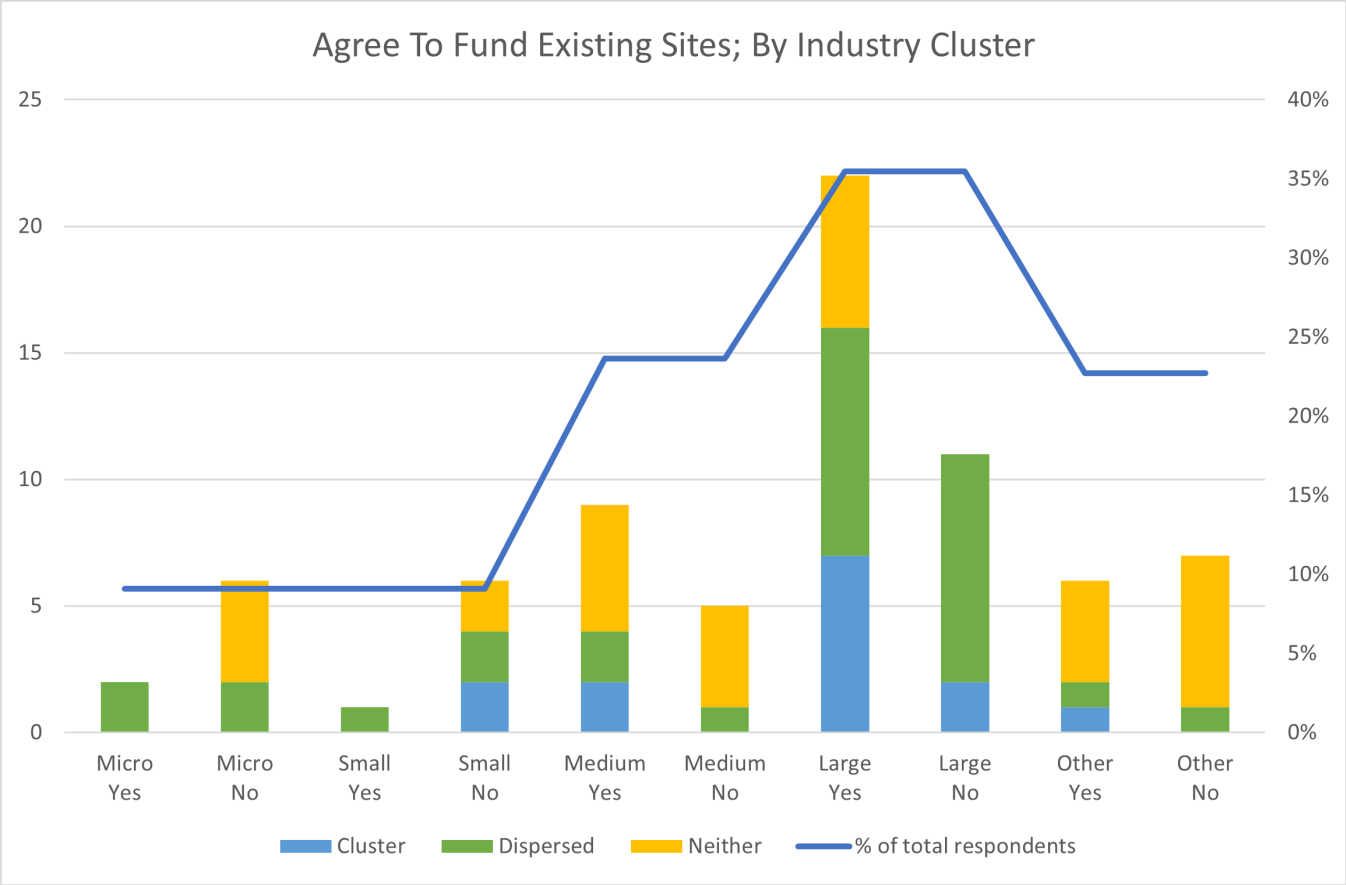
New Policy Position

Controlled Environment Horticulture activities will be included in Phase 3 of the IETF. Evidence submitted via the consultation suggests that expansion to these sectors could deliver considerable benefits due to the energy intensive nature of the sites. This design change also supports the objectives of the Government Food Strategy (2022), which aims to create a more prosperous agri-food sector.

We will expand the sector scope to include industrial laundries and textile renting facilities will be eligible. These sites share many similarities with wider manufacturing facilities in terms of the energy intensive nature of their processes, and inclusion of the sector could also support circularity in textiles supply chains.

Mining and quarrying codes for critical minerals, aggregates, and ores will continue to be supported in IETF Phase 3. Coal mining activities, SIC 05101, 05102, and 05200 will no longer be eligible in Phase 3. We believe that the IETF, which is designed to support a broad range of sectors and technologies, is not the appropriate mechanism to accurately assess coal mining projects in light of the specific complex delivery and net zero challenges that the sector faces, and the limited opportunities to replicate and scale the technologies adopted at these sites. This is consistent with the position we have adopted in earlier phases to exclude activities related to the extraction of petroleum and natural gas where, although we recognise the importance of these fossil derived products in a range of industries, their inclusion in the fund was not deemed to be consistent with the IETF's core focus on decarbonising industrial sites.

Q5a. Do you agree with the decision to limit IETF support to existing sites and processes?



Option	Total	Percent
Yes	38	34.86%
No	47	43.12%
Not Sure	24	22.02%

Q5b. Are there any opportunities being missed and, if so, how could the energy and emissions impact of these projects be evaluated?

109 respondents answered this question. Of those who answered, 42.73% of respondents chose that extending IETF support to new site and processes would be beneficial. Respondents proposed that relocations, rationalisation, and site expansions should also be included in the IETF eligibility where emissions savings are demonstrable. These respondents claimed that greater benefits would be achieved if the IETF included new sites or expansions. This would facilitate a systemic shift to delivering the same service but with radically reduced energy and/or emissions.

Respondents also noted the need for the UK to consider a package of support that is competitive and attracts investment to the UK, including from innovative start-ups.

Respondents who agreed that the IETF should only support existing sites and processes argued that new sites will be naturally incentivised to use the most energy efficient technology to keep operating costs down.

Respondents also presented novel suggestions for ways the IETF could support new sites and process. This included supporting new sites intending to capture carbon, greenfield sites and for site expansion projects in cases where implementation of an EE or decarbonisation measures requires an increased footprint.

Our Response

We share the view of some respondents, that companies seeking to implement new processes and new builds should be incentivised to deploy the best available techniques and technologies in EE and decarbonisation as a standard, without there necessarily being a clear need for a targeted EE/decarbonisation subsidy. Other mechanisms are likely to provide a more flexible lever to encourage new investment. For example, the Annual Investment Allowance allows firms to claim 100% of qualifying plant and machinery expenditure in the year of investment against taxes on profits, up to a permanent cap of £1m.

The IETF is designed to be competitive and to assess all projects on a consistent basis. We did not receive evidence through the consultation to suggest how broadening the scope to support the establishment of new sites and processes could deliver against the objectives of the IETF to reduce industrial emissions and energy consumption in a measurable way. We do recognise the large opportunities for innovation amongst disruptors and new start-ups, but assess that the IETF would not be the appropriate mechanism to support these types of projects in Phase 3. Targeted support, such as that offered through the Energy Entrepreneurs Fund, Industrial Energy Efficiency Accelerator, and Industrial Hydrogen Accelerator have had successes in supporting the development of new technologies and processes.

The IETF will aim to support projects in which implementation of an EE or decarbonisation measure requires an increased local footprint, provided there is a clear demonstration that the expansion is directly linked to the EE or decarbonisation measure.

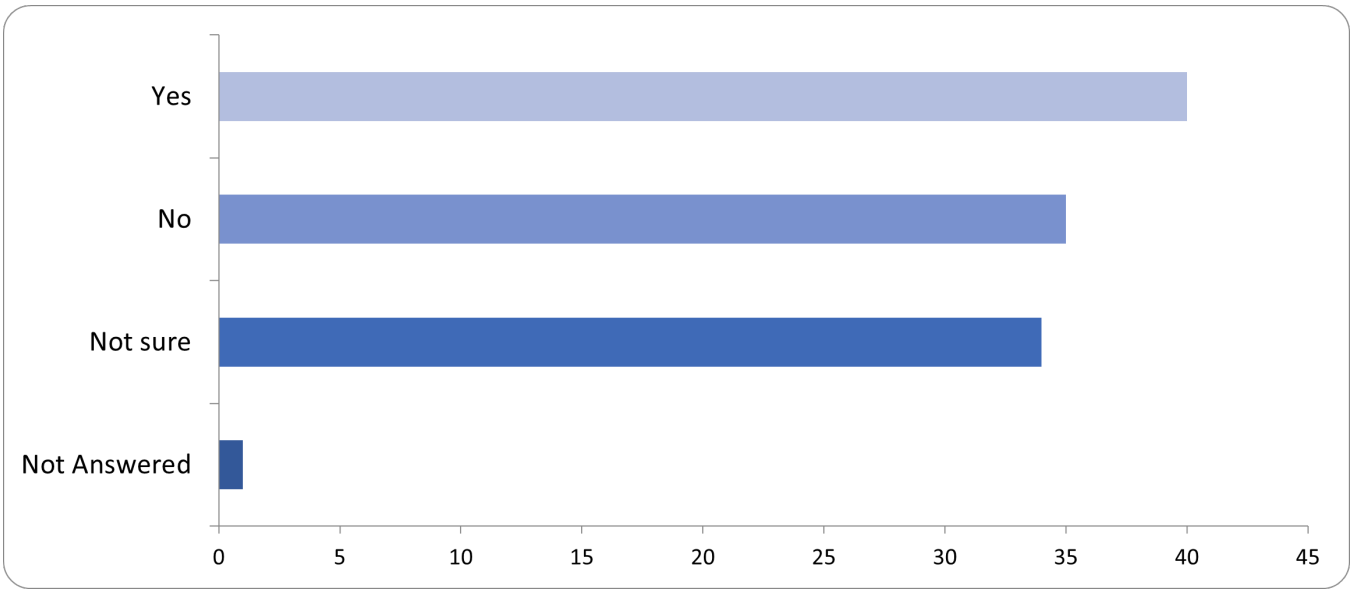
New Policy Position

We intend to increase the flexibility of the IETF by allowing for applicants to apply for projects that may be affected by a site relocations, subject to clearly defined constraints. Principally, the project scheme, cost and magnitude of benefits (i.e. the basis upon which a grant award was given) should remain unchanged through the relocation process and M&E. This will allow the IETF to better support companies who may have to change site mid or post application.

As part of this criteria, the fund will continue to require that baseline annual energy use or emissions data must be provided to enable proper determination of the project benefit at the industrial site of specific industrial process in question. As such, setup of new processes and new sites will not be eligible.

We will maintain the position that IETF funding cannot be used to support proposals where the sole intent is production capacity expansion.

Q6a. Do you agree with the decision to limit IETF support to investments or studies that are relevant to onsite infrastructures only?



Option	Total	Percent
Yes	40	36.70%
No	35	32.11%
Not Sure	34	31.19%

Q6b. Are there any opportunities being missed and, if so, what types of off-site investment should be permitted?

109 respondents answered this question. Responses to this question were mixed with 36.36% agreeing, 31.82% disagreeing, and 30.91% unsure.

Respondents who agreed referenced the existence of other support and funding for off-site projects, particularly infrastructure. They were also content with the current IETF rules around supporting existing infrastructure and commented that expanding to off-site support would blur the link between energy and emissions savings and IETF funding.

Almost half of respondents who disagreed suggested that support should be expanded to include off-site infrastructure. These responses were variously in favour of supply, transmission and connection for hydrogen projects, renewable electricity generation, and carbon capture projects. Other suggestions included support for neighbouring/local resource efficiency projects where, for example, waste heat could be exported off-site for non-industrial uses such as space heating.

Our Response

We have considered the consultation feedback and feedback received from prospective applicants in previous IETF windows, and believe that there is a strong case to review the IETF eligibility criteria for off-site infrastructures.

The IETF plays an important role in supporting the pipeline of electrification, hydrogen and CCUS deployment projects through the provision of study support. The outcomes and relevance of these feasibility and engineering studies can depend greatly on the assumptions made about the wider enabling infrastructures that would be required. Expanding the scope of IETF studies could support a more thorough, accurate investigation of the viability, costs, benefits and risks of the chosen technology solution. This could help to de-risk projects that go on to be deployed by the site either independently or with the support offered by CCS and hydrogen production business models.

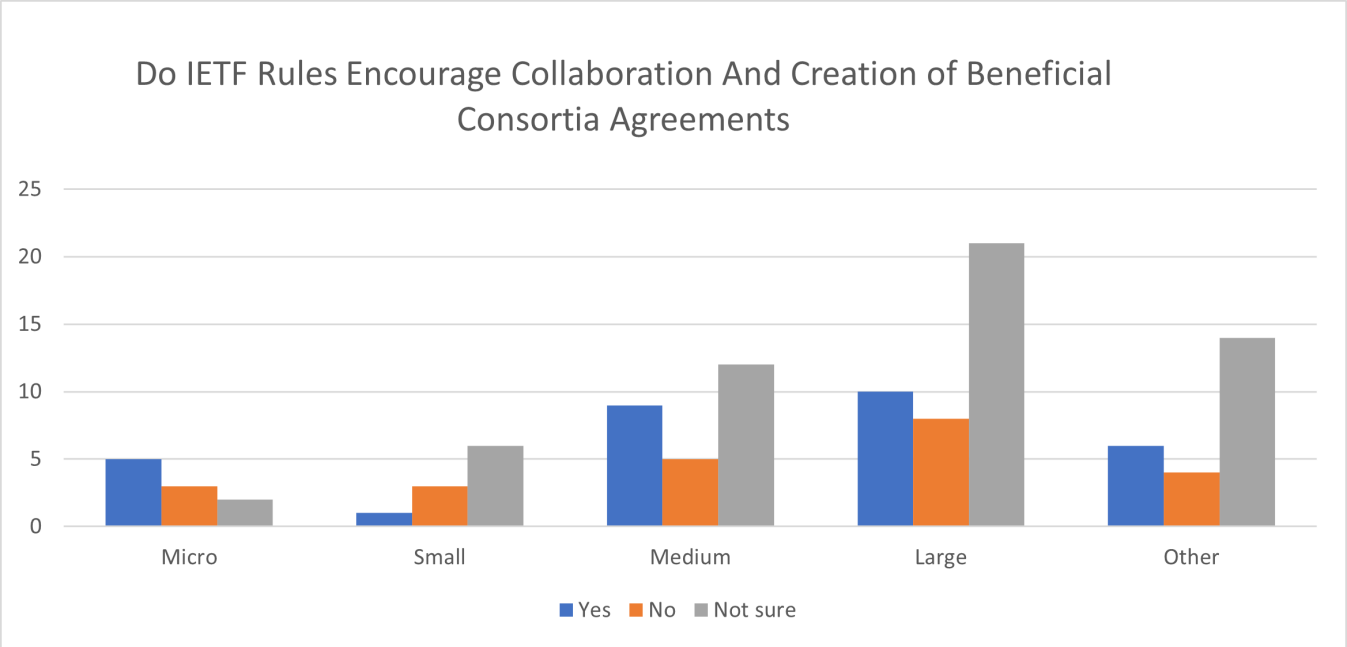
As noted by several respondents, the costs of constructing off-site infrastructures could overwhelm the IETF which has a fixed budget to help industrial sites to decarbonise. Pipelines and storage infrastructures are typically costly, with long lead-in times and the IETF is unlikely to be the most appropriate mechanism to ensure the fair assessment or successful deployment of these infrastructures.

New Policy Position

We will amend the IETF eligibility criteria to allow study projects to consider offsite infrastructure, subject to clearly defined battery limits. It is recognised that this additional information may be beneficial for onsite and offsite project planning.

No changes will be made to the deployment strand of the competition, where the costs associated with off-site infrastructure will remain ineligible.

Q7a. Do IETF rules currently encourage collaboration and the creation of beneficial consortia arrangements?



Option	Total	Percent
Yes	31	28.44%
No	23	21.10%
Not Sure	55	50.46%

Q7b. Please expand on your answer. If no, how can we improve this, if yes, please explain how?

96 respondents answered this question. Of those who did, responses to this question were mixed with a large number of respondents providing no further information to support their answer. A small number of respondents who answered 'no' highlighted IETF rules on applications from single sites, risks of working in consortia without a guarantee of funding, and short application timescales as barriers to collaboration. Some third parties also requested that they should be able to apply as lead applicants instead of restricting the lead applicant to the industrial site only.

Within all three groups of responses there was support for the networking support the IETF has run previously (such as, networking events, platforms, and marketplaces) and calls for this to continue.

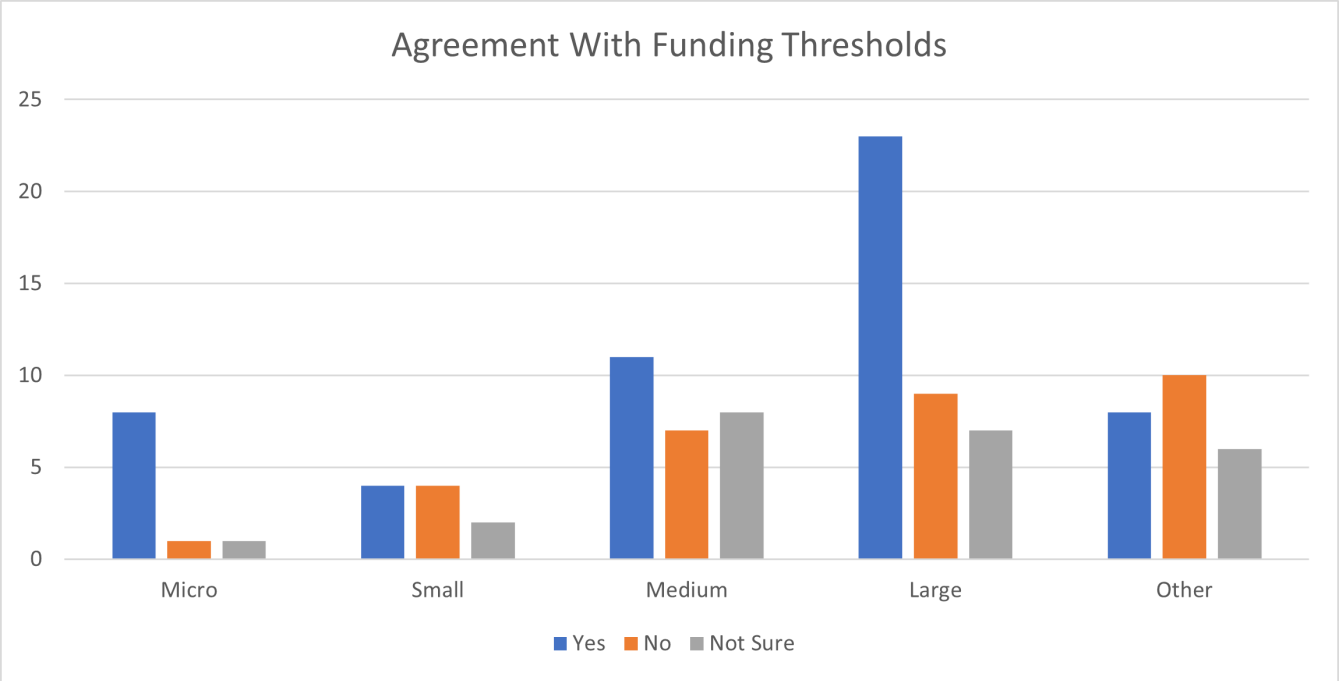
Our Response

Whilst recognising the contribution from professional services, technology partners and academia, the IETF will continue to require that the lead applicant and their site represent an eligible industrial site as defined by the SIC codes. By identifying industrial sites as the only

eligible lead applicants for IETF funding, we can better target our support at companies with a defined, viable proposal that will be integrated into the site's long term operating plans. This means that we can ensure compliance with the terms of the grant funding agreements and track whether emissions and energy savings are delivered.

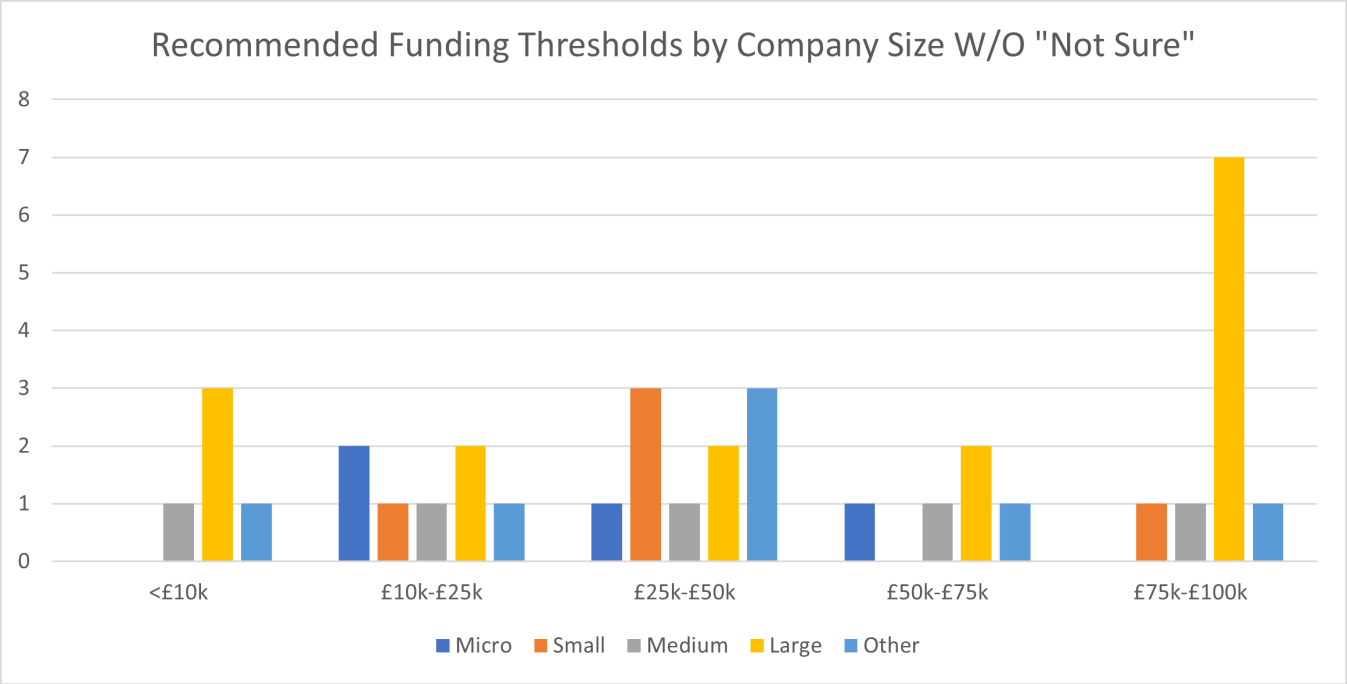
We will look to strengthen the networking and knowledge sharing offers that the IETF provides in line with stakeholder feedback.

Q8a. Do you agree with the current minimum grant thresholds set by the IETF?



Option	Total	Percent
Yes	54	49.54%
No	31	28.44%
Not Sure	24	22.02%

Q8b. If no, what amount should they be amended to?



Option	Total	Percent
Below £10,000	5	4.59%
£10,000-£25,000	7	6.42%
£25,000-£50,000	11	10.09%
£50,000-£75,000	6	5.50%
£75,000-£100,000	10	9.17%
Not Sure	70	64.22%

Q8c. Please explain your rationale including details on what types of project and site would benefit from the change.

109 respondents answered this question. The majority of those who agreed with the current minimum grant threshold noted that they are sensible since the Fund facilitates large EE and decarbonisation improvements which typically require significant investment and would not happen without this support. It is important to note that the majority of respondents who held this opinion were large companies, and therefore would assumably be more able to meet current minimum grant thresholds.

The most commonly cited reasons for reducing the thresholds were to allow SMEs to access support through the IETF and encourage more SMEs to apply for funding, to support smaller scale feasibility studies, and to fund smaller projects. However, while many respondents supported reducing the threshold to encourage SMEs to apply for funding, others noted that the application process has a high administrative burden for smaller projects. This implies that lowering the thresholds will only be effective if the application can be simplified.

It was noted that other funding channels are available to projects that fall below the minimum threshold, including programmes provided by local government.

While the majority of responses noted that they were unsure on what grant thresholds should be lowered to, both £25-£50k and £75-£100k, the latter option almost exclusively with larger companies, were popular answers. Lowering the thresholds will enable applications with smaller projects to apply, but other factors such as application complexity are considered barriers for SMEs who typically have fewer resources and less technological expertise.

Our Response

The government provides a range of support to help industry to decarbonise and become more energy efficient. We recognise that the scale of investment required by a large multinational, could vary greatly from the investment require by a small company. The IETF has been designed to support a range of companies and technologies. As a fund with a large potential set of applicants, we must balance accessibility against the need to be able to apply rules around the application process, assessment and monitoring on a fair, proportionate basis to all applicants.

New Policy Position

Based on this feedback, for Phase 3 of the IETF we will lower the minimum grant threshold for deployment projects from £100,000 to £75,000 for SMEs only. This change will be made in tandem with other changes that may help streamline processes to simplify the application form to make it more accessible without compromising on quality.

The thresholds for studies will remain the same as they were for Phase 2.

Q9a. What financing routes would you typically consider when developing a project?

Option	Total	Percent
Internal Budgets	66	60.55%
Debt – Commercial Loans	29	26.61%
Debt – Asset Finance	25	22.94%
Grants	71	65.14%
Guarantees	8	7.34%
Equity	21	19.27%
Tax Breaks	33	30.28%
Other (please specify)	11	10.09%
Not Sure	24	22.02%

** Note that as these were multiple choice, options will not total 100%**

Q9b Please expand on your answer.

109 respondents answered this question. There was a real variation in the responses to this question. Multiple companies mentioned that the size and type of investment can influence how they may pair this with other funding mechanism in order to unlock investment.

61% of respondents stated that they considered their own internal budget when developing a project which demonstrates a willingness from industry to invest in clean technologies. However, grant support was the primary financing route that responders sought, which indicates that this remains the most popular route to unlocking investment.

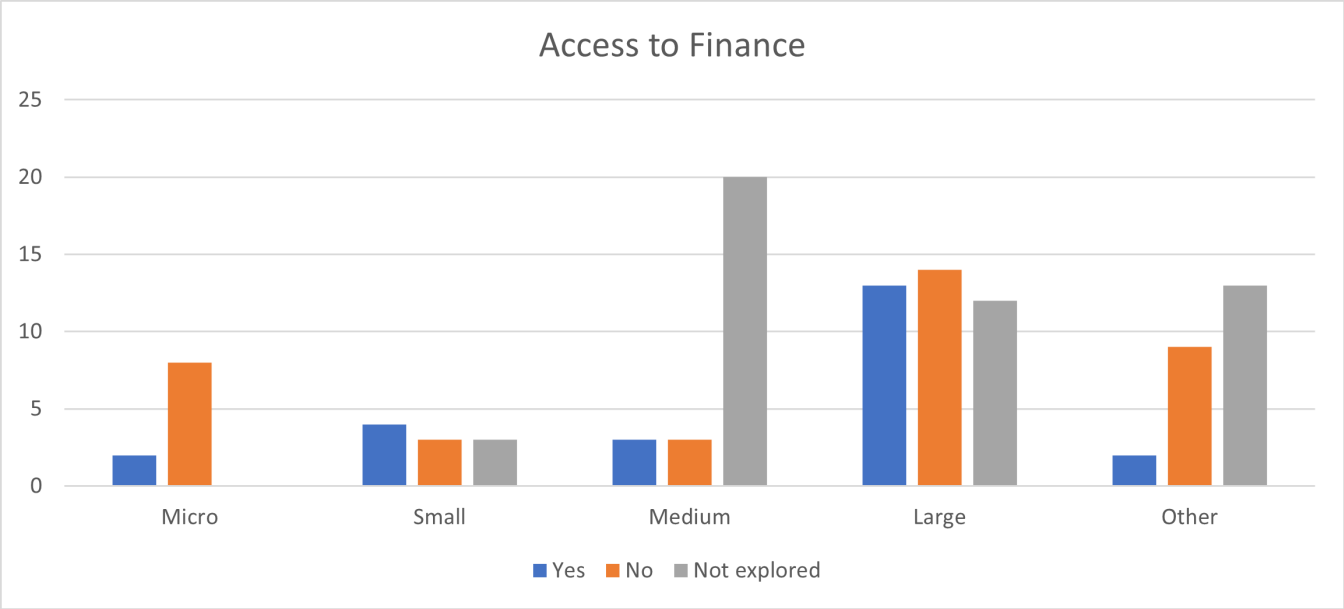
12.84% of respondents exclusively use grants alongside their own internal budgets. 7.34% of respondents exclusively used grant funding and did not use other support to fund project development. 9.9% of respondents highlighted how grants assist with CAPEX.

One respondent highlighted how CAPEX availability is a particular issue for the steel industry, which, being CAPEX intensive, leave little to no room in the budget for EE or decarbonisation investment. The respondent noted how grants were the main route to address the issue in the steel industry. Several respondents highlighted how grant funding could be used to reduce payback periods, such that they meet internal investment criteria, or to reduce the risk of a project. Ultimately, the variation in the responses and the lack of a clear preference for any one combination of funding pathway highlights the needs of industry are diverse and nuanced. This shows that a wealth of tools is necessary to confront the overall issue of EE and decarbonisation.

Our Response

Internal budgets are the most prominent financial vehicle used by companies to make investment decisions, with internal criteria and competition for its allocation. Payback periods are usually a crucial element in the decision-making process and the IETF looks to help reduce this through grant funding for CAPEX costs involved in these projects.

Q9c. Do you have access to all the finance routes you need?



Option	Total	Percent
Yes	24	22.02%
No	37	33.94%
Not Explored Options	48	43.64%

Q9d. How do you determine whether grant funding is required to unlock investment in a project?

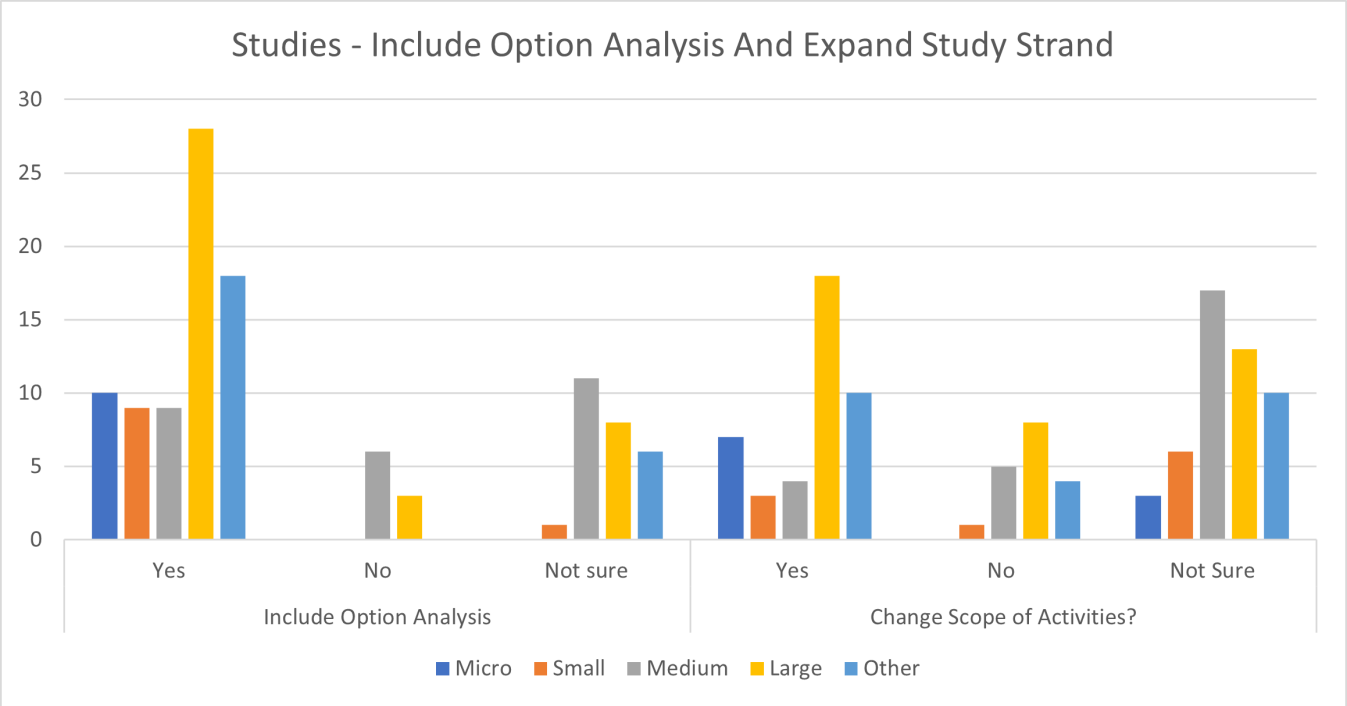
109 respondents answered this question. Respondents highlighted how grants were crucial in securing other investment by de-risking projects. One respondent highlighted that companies will only consider funding if an IETF grant is an option and another raised that grant funding stimulates the conversation with stakeholders in the first instance, which typically makes them aware of the opportunities and benefits associated with a project that they were not aware of previously.

Of those who stated that they did not have access to finance, technology risk was commonly cited as the reason they failed to secure investment, claiming that perceived uncertainty around new technology limited their access to traditional funding.

Our Response

The popular stakeholder response that grant funding is pivotal in securing other investment is further evidence that the IETF should continue as a grant funding scheme.

Q10a. 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?



Option	Total	Percent
Yes	74	67.89%
No	9	8.26%
Not Sure	26	23.85%

Q10b. Please expand on your answer

109 respondents answered this question. 67.27% of respondents were in favour of expanding the scope of feasibility studies to include an options analysis of technologies.

Many felt that providing the opportunity to assess options would yield greater, and more innovative, projects and ensure that the technologies selected were the most appropriate. Respondents noted that this was even more crucial for SMEs, who might lack the expertise or internal capacity to self-fund or outsource an options analysis.

Those respondents suggested that option analyses would facilitate the creation of a strong pipeline of projects for the IETF or other future government funds.

Of those that did not agree with the introduction of an options analysis, they felt that since the IETF is focused on ready to deploy technology, the inclusion of options analysis would not align with the fund's objective and should not be pursued given the scale of the budget. Additionally, some stakeholders felt that the inclusion of an options analysis could add complexity to the application process, deterring some potential applicants.

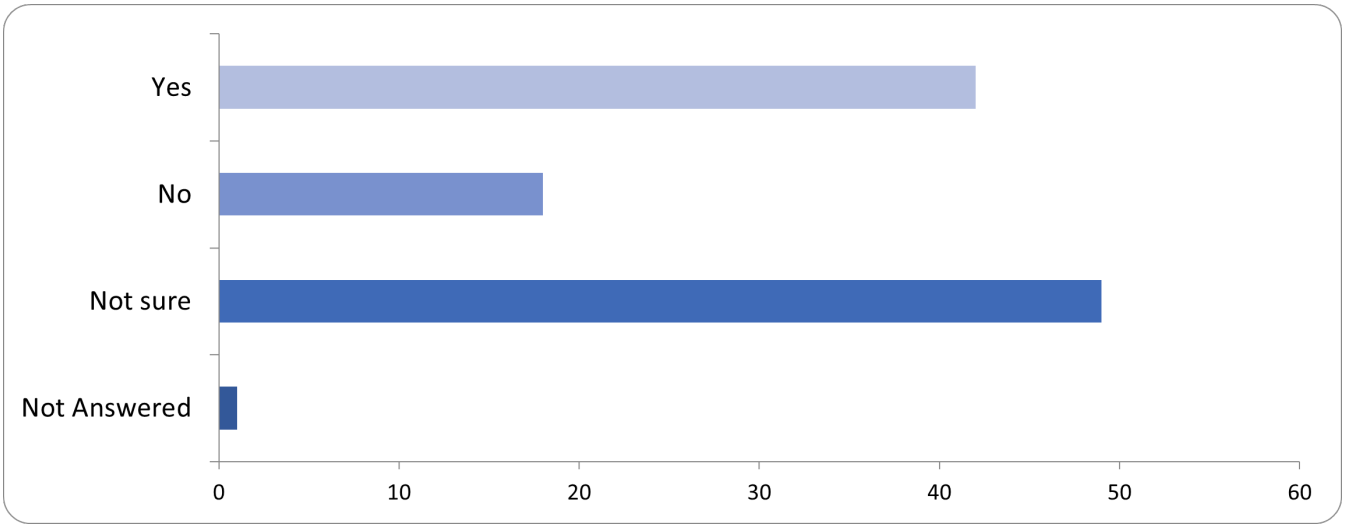
Our Response

In line with stakeholder views, we believe that supporting options analysis would be consistent with the IETF's technology-neutral objectives and could help sites to investigate the most beneficial technology solution for their process. We have assessed how affordable this change could be, in light of stakeholder concerns that the scope expansion could increase the competitiveness of funding. Whilst the completion of an options analysis is likely to increase the cost of a feasibility study, given the relatively low value of these studies overall we do not believe that this change would, in its own, lead to a large oversubscription of the IETF. All studies would continue to be assessed against the same criteria, with funding awarded to the highest scoring projects that pass minimum scoring thresholds.

New Policy Position

Based on the feedback above, in Phase 3 of the IETF we will expand the scope of feasibility studies to include options analysis. The technology solutions considered within the scope of a single feasibility study must seek to deliver the same outcome, either EE or decarbonisation. For example, companies will now be able to consider routes to decarbonising existing combustion equipment via an investigation of different low carbon fuel options. This change brings the IETF study eligibility rules into alignment with those in the SIETF.

Q11a. Are there any other changes to the scope of activities eligible for study strand support that might improve outcomes?



Option	Total	Percent
Yes	42	38.53%
No	18	16.51%
Not Sure	49	44.95%

Q11b. Please expand on your answer. If yes, please specify what elements and explain why and if no, please explain why it is not necessary.

109 respondents answered this question. 44.55% said they were unsure of other changes to be made to the scope of activities eligible for study strand support. 38.18% felt there were changes to be made, with 16.36% disagreeing.

It was commonly cited that lowering the TRL of studies would allow for more novel technologies to be developed and would create a pipeline of future deployment projects.

Some respondents suggested that the IETF consider energy use for non-industrial processes as an eligible cost. This would allow the energy saved from industrial processes to be used in infrastructure maintenance, such as space heaters, etc.

A variety of other options were raised as possible considerations in expanding eligibility. This included digitalisation, energy from waste generation, renewable energy generation - specifically hydrogen and electrification, building improvements, and projects for a partial fuel switching to the least carbon intensive energy source rather than a complete fuel switch.

Our Response

The IETF is not intended to be an R&D scheme, and other funds offered through UK Research and Innovation and the Net Zero Innovation Portfolio are better suited to the research and innovation needs of projects at a TRL below 7. The UK Net Zero Research and Innovation Framework, 2023, sets out the range of policies and approaches that the government will pursue out to 2025 to support research and innovation.

The ambition for the IETF study strand is to create a pipeline of deployment projects to support commercial roll out and permanent installation of technologies at industrial sites. We will, however, as addressed in question 12, reduce the TRL threshold for energy efficiency technologies to 7 and this change will apply for both studies and deployment.

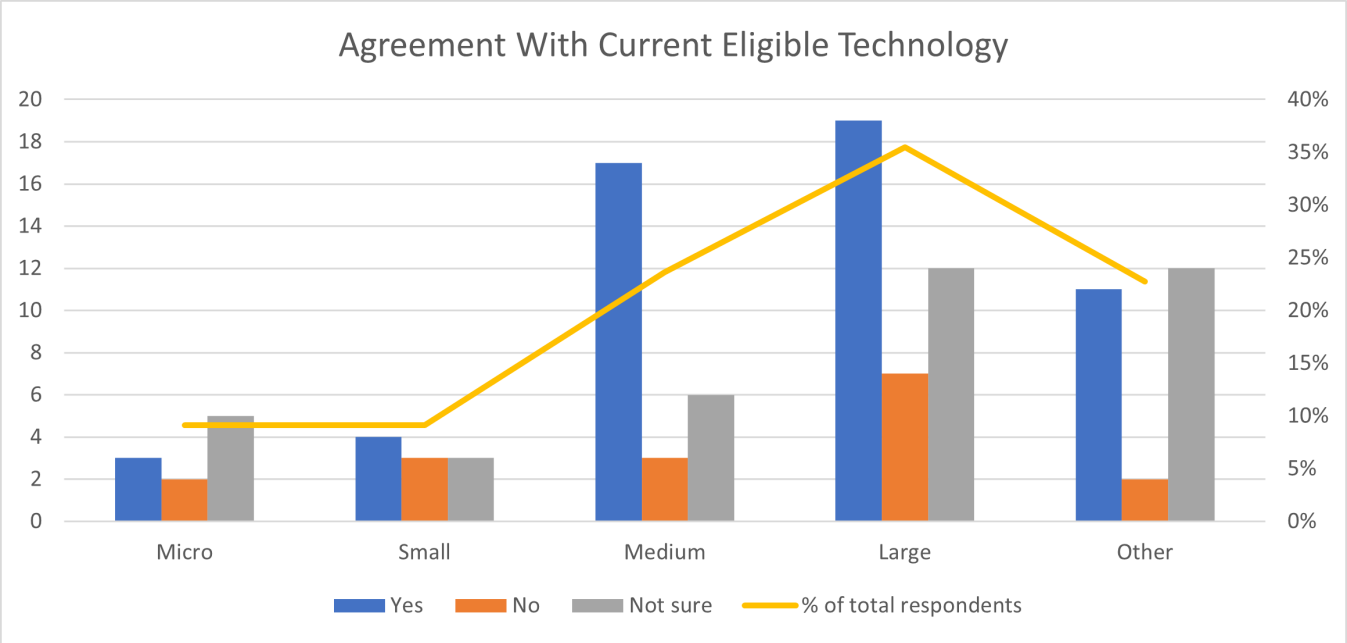
The IETF will maintain its position to not support power generation projects, including renewable energy generation technologies. Only electricity generation projects using waste heat, waste pressure, waste process gas, waste process liquid not suitable for transport use or eligible CHP fuel switching projects will be eligible for IETF support.

Other government initiatives are available to support various of the technologies and opportunities mentioned by respondents, including:

- Digitalisation – The goal of the Made Smarter Programme is to enhance the digital skills of industry leaders, bring businesses and research development together to develop new technologies, and support makers along their digital journey.
- Renewable energy technologies - DESNZ has supported innovations in clean energy technologies through various of the funds offered through the Net Zero Innovation Portfolio. The Solar Taskforce has been established to drive forward the actions needed

by government and industry to meet the solar deployment ambition of 70 gigawatts by 2035, this will run until February 2024.

Q12a. Are there any other changes to the range of eligible technologies or scope of deployment strand support that might improve outcomes?



Option	Total	Percent
Yes	54	49.54%
No	17	15.60%
Not Sure	38	34.86%

Q12b. Please explain the rationale for your answer and where possible provide examples

109 respondents answered this question. 54 of these believed that there were changes possible that would improve outcomes. The most common themes were power generation technologies, including renewable power generation technologies such as solar PV, solar thermal, wind, and kinetic power.

Our Response

Since the IETF is seeking to support first movers in the adoption of industrial process technologies, we believe it is appropriate to continue to exclude fuel and energy production technologies which the IETF assessment criteria and subsidy framework is not designed to support. We do however recognise the role of these technologies in enabling onsite energy and emissions reductions, noting the role that wider government interventions such as the Solar Taskforce, hydrogen and CCS business models will play in their adoption.

As a technology-neutral fund, the IETF will continue to support hydrogen fuel switching, whilst recognising that electrification also supports the pathway to decarbonisation.

New Policy Position

For waste heat recovery schemes, Phase 3 of the IETF will additionally allow end use in non-process heat demands, such as factory building space heating, and export to heat networks, subject to further development of bounding criteria.

We will also lower eligible Technology Readiness Level (TRL) threshold to from TRL 8 to 7 for Energy Efficiency deployment projects, matching the requirement for decarbonisation projects.

Q13. 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.

110 respondents answered this question. The length and complexity of the process emerge as significant concerns, particularly as this disproportionately affects SMEs as they lack the resources and dedicated personnel that larger companies can afford. Many respondents suggest the need for support specifically tailored to first-time SME applicants while larger businesses have commented about repetitive questions particularly across aggregated applications and there were several suggestions to introduce a two-stage application system.

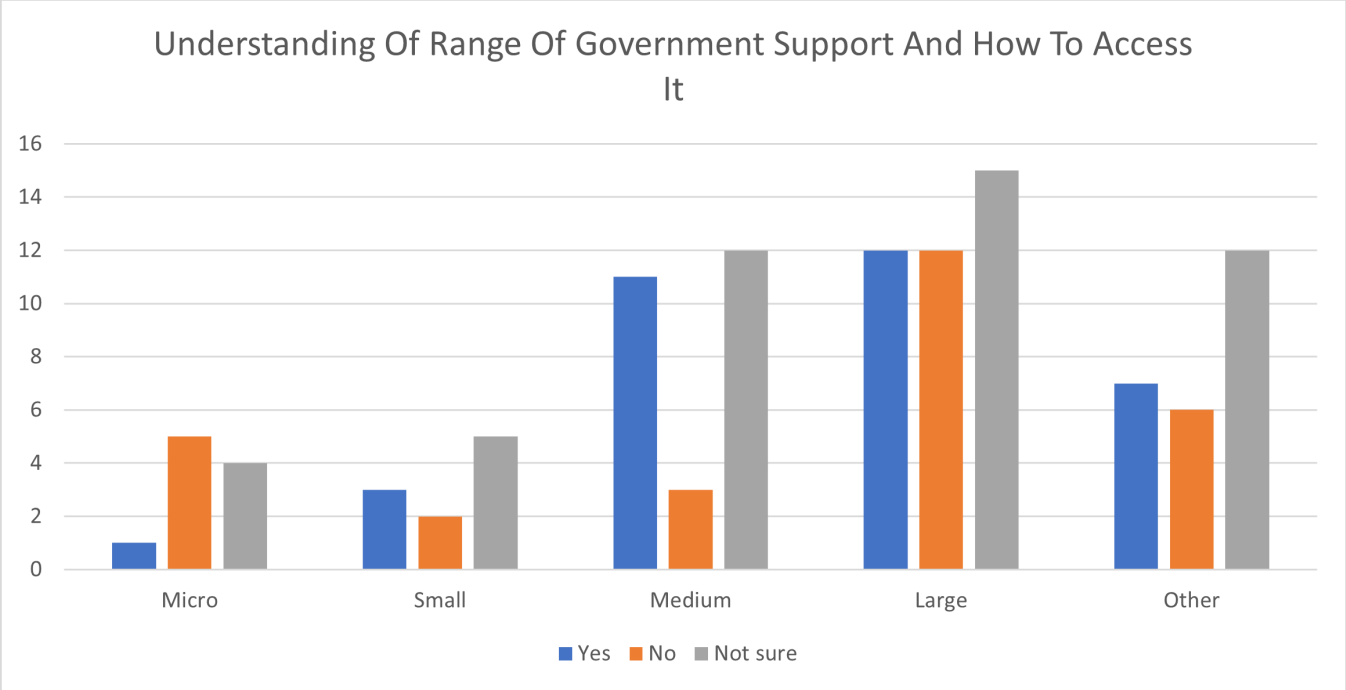
Issues with timelines and deadlines also emerge, citing extensions to funding windows (hence delaying assessments), changes to deadlines, extended assessment periods and the inflexibility of timeline can pose challenges for businesses and hinder business planning. Speeding up the decision-making process is a common recommendation to allow faster project implementation, aligned with the pace of decisions in industry.

Participants also highlighted the need for increased transparency throughout the entire process with improved communication on the status of applications. Overall, the feedback emphasises the need for greater simplicity and clarity throughout the application process to reduce the administrative burden on applicants.

Our Response

The IETF is currently considering options of streamlining the application process. We will look to improve our communication throughout the application-to-award process and streamline processes where possible to speed up the decision-making process.

Q14a. Do you have a clear understanding of the range of government support that is available to you and how to access it?



Option	Total	Percent
Yes	34	30.91%
No	27	24.55%
Not Sure	49	44.55%

Q14b. 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.

110 respondents answered this question. Of those who answered: 44.55% were unsure, 30.91% agreed and felt that they had a clear understanding of the range of government support available to them, and 24.55% disagreed.

A common suggestion among respondents was the creation of a centralised page which detailed Government funding available. Current governmental support information was described as piecemeal and difficult to access. It was suggested that the centralised page outlines which departments host the fund, the timeline of operations, and how the different funds connected with each other. A suggestion was also made for HMG to create a grant-eligibility flowchart for prospective applicants.

One respondent suggested the use of a single distribution list for all decarbonisation funds as this would ensure that all relevant parties would be kept up to date on developments and HMG

funding available for decarbonising processes. SMEs were particularly noted as struggling to keep informed on Government support due to a smaller internal resource capacity.

It was generally felt by the majority of respondents that communications surrounding Government support could be improved. However, one respondent did note that communications surrounding the IETF were more consistent than other funds they had engaged with.

Our response

The government has developed the 'Find a Grant' page to improve the accessibility of grant information and the IETF has and will continue to be listed on this platform. We will aim to incorporate feedback on what has worked and what could be improved when designing the communications strategy.

Q15. Do you have any feedback on how the application questions and criteria used to assess IETF studies and deployment projects could be improved?

110 respondents answered this question. The feedback on the assessment criteria is generally positive, with most respondents suggesting that the criteria are sensible and are aligned with the IETF's objectives. However, there are several suggested areas of improvement, such as making the criteria and scoring weighting of each section more transparent and including a broader assessment of the secondary environmental impacts of a project. There were also suggestions to reduce the weighting towards the innovation/novelty element of the assessment, as the current approach could discourage companies who would like to deploy an established technology but still face high investment barriers.

Our Response

The published Phase 2 applicant guidance document included clear guidance on competition criteria and scoring as well as examples on what would be considered to be good answers to the application questions. This approach will be maintained for Phase 3.

The novelty criterion is included in the decarbonisation strand of the competition as the IETF aims to incentivise early adopters of decarbonisation technology solutions. This includes early adoption of proven technology solutions (in Phase 3, from TRL 7 and above) within the sector or wider industry. Novelty is just one of a broad range of criteria. As such, stakeholders proposing to deploy well-established technologies can still apply for funding.

Q16a. 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.

110 respondents answered this question. Most respondents had not previously applied for the IETF and therefore were unable to answer this question. Out of those who had previously applied, the majority stated that the application provided them with enough opportunity to detail their study or project. However, several noted that the level of information required in the

application process made completing the application burdensome. It was raised that this disproportionately disadvantaged SMEs due to their limited internal resources. One respondent recommended the introduction of a tiered application process, which would include streamlined application for SMEs. This is in line with several requests to streamline the application process.

Several respondents also highlighted additional questions or changes to the application process which could provide applicants with additional opportunities to describe their project. This included questions considering the climate resilience, and how the project will integrate into the industrial network.

Several respondents also noted that enabling the attachment of additional supporting documents would allow for them to describe their studies or projects in greater detail.

Our Response

We are considering ways to streamline the application processes, which will help all applicants especially SMEs. We will also seek to ask further, targeted questions for high value projects, where the grant request exceeds £5m, with the aim of improving the government's understanding of the costs, risks and benefits of these proposals thereby streamlining the approvals process.

16b. Are there additional questions that should be asked, particularly in regard to evidencing that the proposal meets the IETF eligibility criteria?

Several respondents also noted that enabling the attachment of additional supporting documents would allow for them to describe their studies or projects in greater detail.

Our Response

In designing the IETF application and assessment approach, we aim to consider the proportionality of the burden of evidence that we request from applicants against the scrutiny required to ensure that government funding is spent on projects which represent good value for money, and deliver against the IETF objectives.

In Phase 3 of the IETF, we propose that projects with a grant request greater than or equal to £5m will be required to submit, as part of the application, a feasibility study or engineering study that underpins the data presented in the application. Further details will be provided in the Phase 3 guidance.

Q17ab. 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?

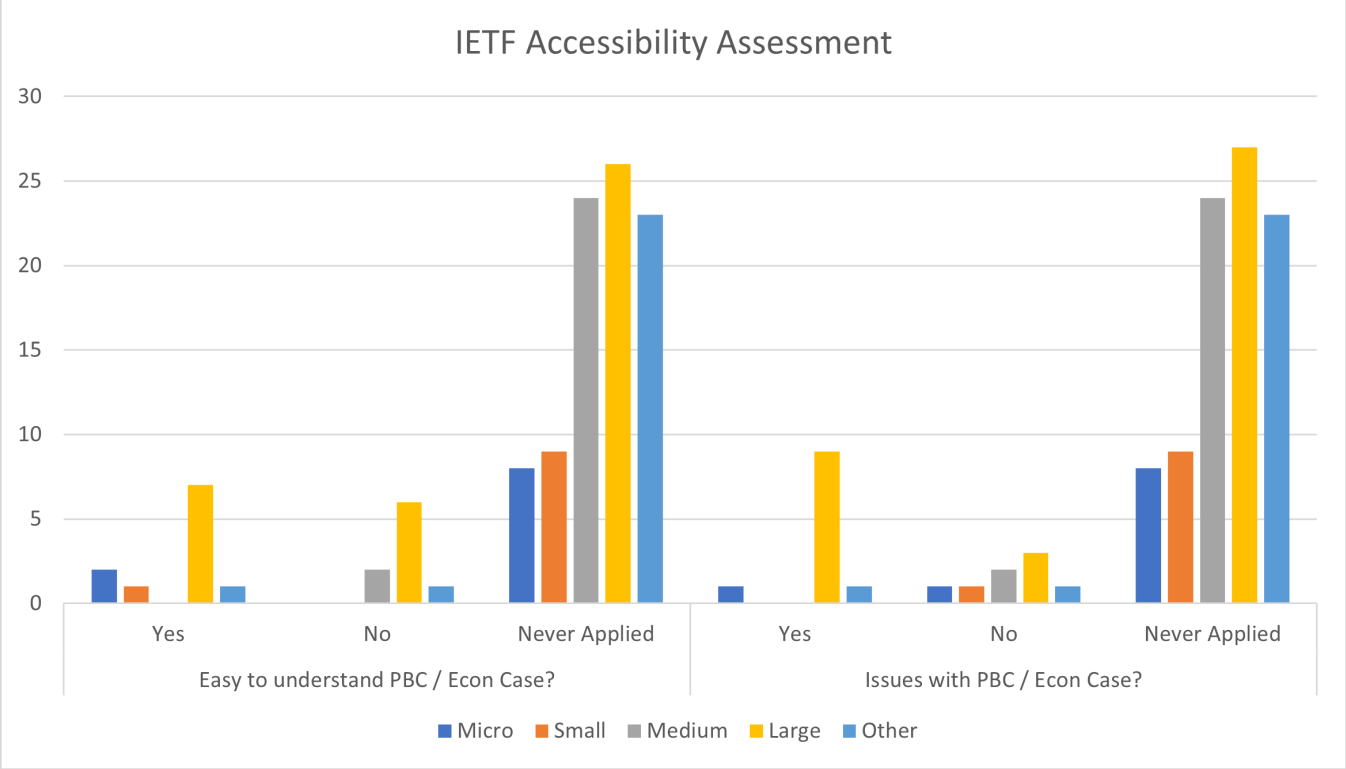


Table 17a: If you applied to the deployment strand, did you find the economic assessment questions and project benefits calculator easy to understand and complete?

Option	Total	Percent	Total Percent Omitting Never Applied
Yes	11	10.00%	55%
No	9	8.18%	45%
Never Applied (or unsure)	90	81.82%	N/A

Table 17b: Did you encounter any issues?

Option	Total	Percent	Total Percent Omitting Never Applied
Yes	11	10.00%	57.89%
No	8	7.27%	42.12%
Never Applied (or unsure)	91	82.73%	N/A

Q17c. Please specify any issues and what improvements could be made?

77 respondents provided additional rationale to the above question. Most respondents had not previously applied to the deployment strand and therefore could not answer this question. Of the respondents who had applied to the deployment strand, nearly half found the economic assessment questions and Project Benefit Calculator (PBC) easy to understand and complete. However, they also detailed issues that were raised as they completed their application. There was suggestion to include initial guidance on what information was required, and why the information was needed, to allow applicants to accurately assign time to completing the application.

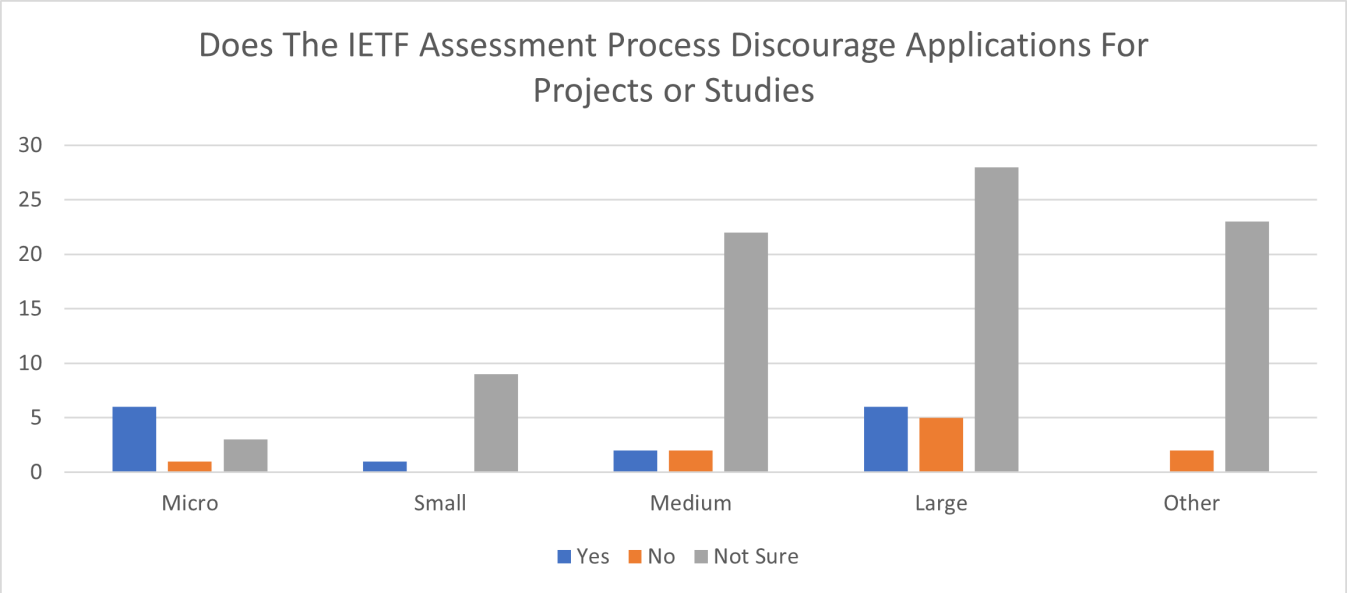
The complexity of the form was said to particularly discourage SMEs due to the time and resources required to complete. One respondent had outsourced assistance to complete their application, stating these additional costs as a barrier to smaller businesses. It was addressed by some that the application seemed overly complicated for the information it was asking for, and that streamlining the questions were possible to achieve the same results.

The introduction of feedback post completing the PBC to allow the applicant to ascertain the likelihood of being successful was postulated, as this would save time and resources for applications who had little chance of succeeding.

Our Response

Support with completing the application was provided with online recording of the event held on “How to Apply” which is broken down for each section in the application. We will seek to simplify the PBC questions where possible and provide additional targeted guidance.

Q17d. In your view, does the IETF assessment process discourage applications for projects or studies that may have otherwise gone ahead without IETF support?



Option	Total	Percent
Yes	15	13.63%
No	10	9.09%
Not Sure	85	77.27%

Q17e. Please expand on the rationale of your answer

110 respondents answered this question. 77.27% of respondents selected 'Not Sure' to whether the assessment process discourages applications for projects or studies that may have otherwise gone ahead without IETF support, in line with the fact that most respondents have not gone through the assessment process. Majority of respondents from micro businesses stated that the assessment process does discourage applications. Most of the respondents who completed this section focused more upon the first part of the question, on whether the application discourages applications without mentioning whether projects would have otherwise gone ahead without support.

The feedback on the application process is generally negative. A recurrent theme in the feedback is that applicants found the application process too intensive and advocate for a simplification of the application form with fewer questions, reducing the administrative burden. It was said that the level of detail required is too high, especially for early-stage projects. Some express concerns that the specific eligibility criteria might discourage projects that do not precisely align with the fund's requirements, excluding technologies such as green fuels and renewables. There are also a lot of concerns about the assessment process and the speed of the decision-making process and that this would discourage businesses from applying.

Complexity in the application forms and lack of clear timescales for resolution are cited as factors that may discourage applications. Additionally, there are reservations about the 'additionality' assessment, which was said to not consider the challenges faced by global companies. The focus on 'value for money' (VfM) is both appreciated and criticised, with some arguing that it makes the application overly complex and hinders a broader range of projects from receiving funding. Additionally, the requirement to evidence that the project will not progress without grant funding may be deterring companies from applying.

Our Response

The IETF is designed to deliver in line with the principles outlined in Managing Public Money Framework and standards required for government grant giving. To ensure VfM for government spending, the IETF focuses on projects that are unable to proceed without the support provided by the IETF, this enables government funds to be allocated to those projects with the most societal benefit.

Q18. How could the assessment of 'additionality' be improved, particularly in terms of identifying where investment exceeds existing commitments, such as Climate Change Agreement requirements?

110 respondents answered this question. Most did not have any suggestions for improvements to the assessment of additionality within the application process. Of those that did, there was a wide range of suggestions.

Several respondents suggested an assessment into the environmental impact of the project. Considerations across responses included looking into the project's impact on biodiversity and how it contributed to sustainable development goals. In addition to this, a consideration into whether the project is feeding into an applicant's existing Net Zero plan was raised.

Consideration into the additionality of an application based on so-called 'soft benefits' was also suggested. Some of the benefits included how the project would support local growth and supply chains and improving accessibility within existing sites.

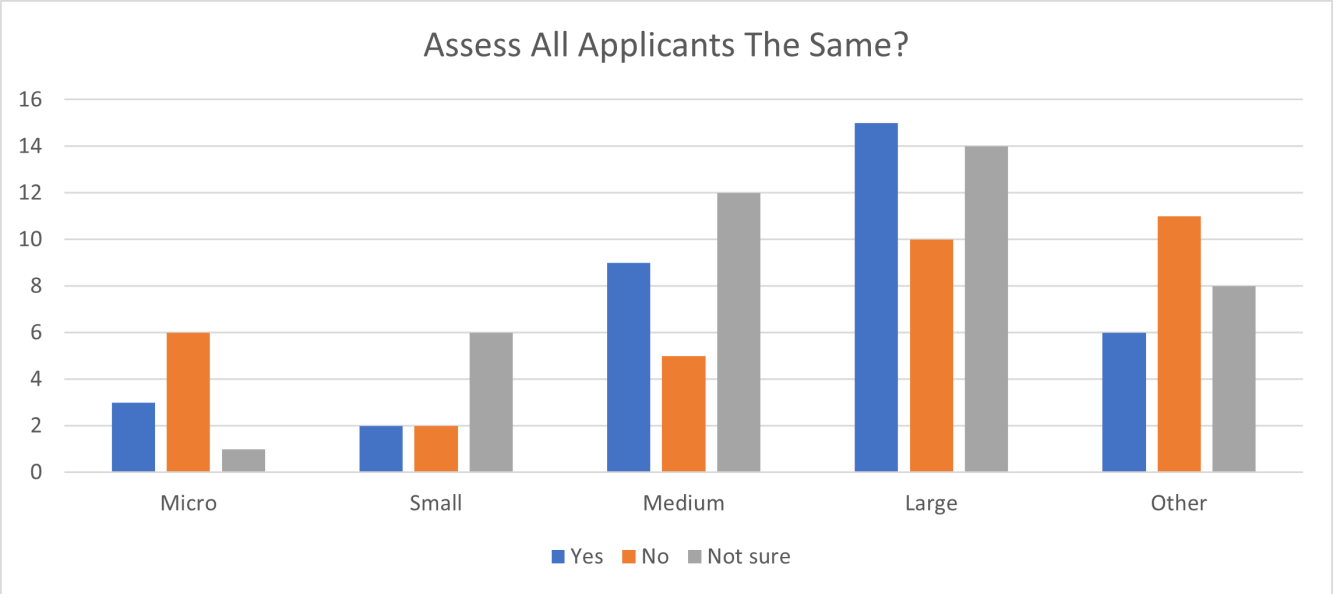
A few respondents felt that additionality was too heavily considered within the criteria and that applications which demonstrated their deliverability and positive impact on decarbonising industrial processes should not be discounted due to additionality requirements. This was particularly echoed by global companies, who stated that additionality considerations are different for larger companies. They urged the fund to consider the resources the applicant required specifically for their UK processes, rather than the total resources available to the company.

One respondent suggested scaling considerations of additionality dependent on the payback period of the project, with projects with a payback period of over 5 years not requiring an additionality explanation. Similar considerations were raised by another respondent who called for a tailored approach to additionality for each project.

Our Response

Additionality is a key element of the assessment of VfM. Development of a tailored approach for each project is infeasible. In Phase 3, we intend to apply a proportional approach to the additionality assessment, based on grant amount. We aim to improve the robustness of the additionality and VfM assessment for projects with a grant request greater than or equal to £5m and will likely have additional questions. We propose that the standard additionality assessment for projects with grant request less than £5m will likely remain similar to the assessment in Phase 2.

Q19a. 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?



Option	Total	Percent
Yes	37	33.64%
No	35	31.82%
Not Sure	50	36.36%

Q19b. Please expand on your answer.

110 respondents answered this question. 33.64% agreed that all applicants should be measured against the same criteria, with 31.82% disagreeing, and 36.36% unsure. The responses show a mix of opinions. Some participants argued strongly for a tailored approach, identifying that varying complexity and decarbonisation challenges necessitate different criteria based on industry/sector, location, and project outcomes. For example, SMEs and start-ups are not able to meet the same criteria as large businesses and require greater flexibility from the assessment. There were also suggestions to create separate pools for SMEs.

There were suggestions to lower the TRL requirements for hard-to-abate sectors and urge the fund to reconsider its risk appetite. A few responses highlight the potential complexities of

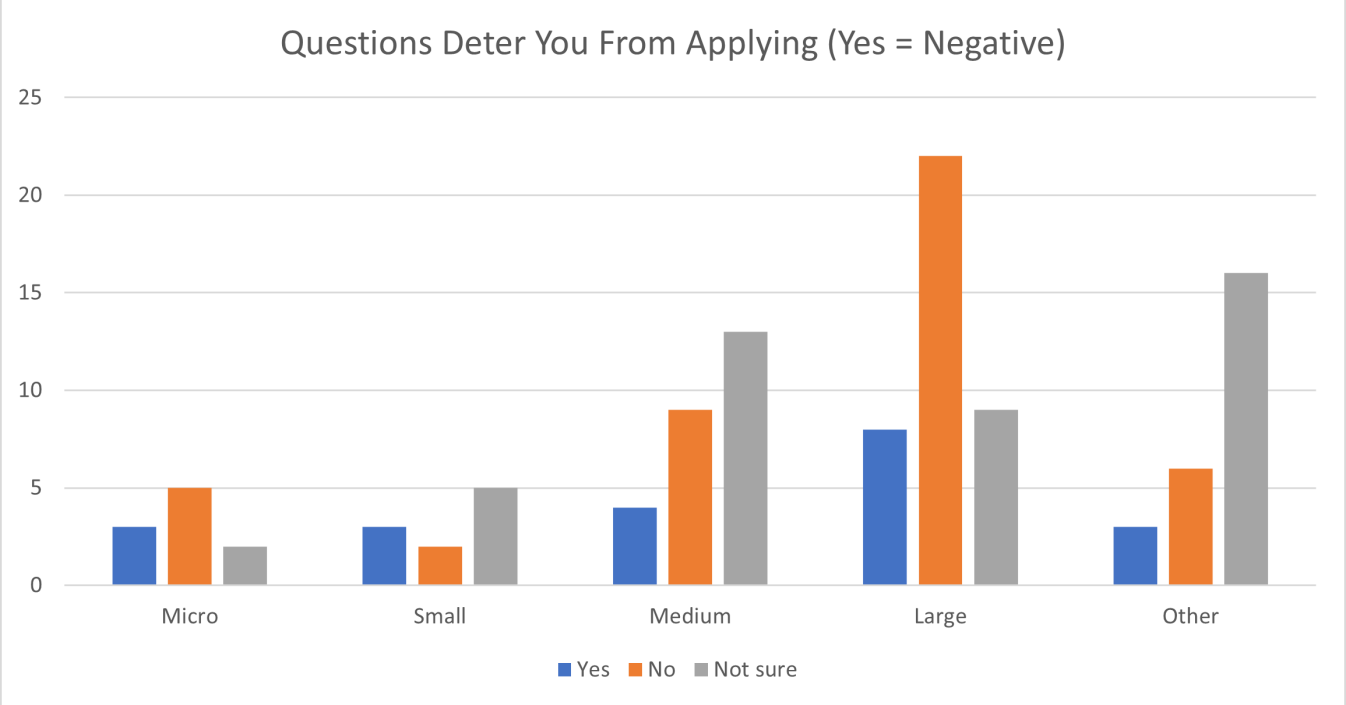
using different criteria and suggest using case-by-case assessments while aiming to ensure proportionality and flexibility.

On the other hand, a substantial number of responses support applying the same criteria to all applicants to maintain consistency and transparency. They argue that a standardised approach enables a level playing field across applicants, sectors and allows for the comparison of applications.

Our Response

We will aim to review the IETF processes to ensure proportionality according to grant value. As far as practicable, we are aiming to streamline the application process without creating an unfair bias and advantage to any demographic. We will also consider asking more targeted questions for projects with a grant request greater than or equal to £5 million.

Q20a. Would the current level of technical detail required for Monitoring and Verification (M&V) in the IETF application deter you from applying?



Option	Total	Percent
Yes	21	19.09%
No	44	40.00%
Not Sure	45	40.91%

Q20b. Please expand on your answer, i.e. too difficult to get information, too time consuming, not enough resource etc.

94 respondents answered this question. Respondents were either unsure (40.91%) or felt like the current level of technical detail required for M&V would not deter them from applying (40%). It is important to note that whilst large companies only make up 35% of total respondents, they account for 50% of the responses stating that the current M&V process would not deter them. This may be due to increased internal resources in comparison to SMEs, and so may not be representative of the feelings of businesses on a whole.

A common theme was how the M&V process disproportionately impacts SMEs due to more restricted internal resource capacities. Several respondents from SME businesses stated that they would have to outsource resources to provide the technical detail required for M&V due to both a lack of technical expertise and a limited resource capacity as a smaller business. Due to the additional costs involved in this, they felt that applying to the Fund was not a viable option. A call for a simplification of the detail required in the M&V process was a common theme, particularly amongst SME respondents.

It was suggested that the length of the M&V process be reduced from five years to three, with others raising the potential scalable M&V process determined by either company or project size. The detail required in the M&V was said to be a low return on effort for smaller projects.

For respondents who noted that the process would not be a deterrent, this was reasoned due to a similar process existing within their internal capacity tracking systems, and as a result it would not create a lot of additional work. Some respondents who noted it was not a barrier for them, did however state that they understood it could be for other businesses.

Our Response

As mentioned previously, we will consider making simplifications to the application process if this is possible without creating an unfair bias and advantage to any demographic. However, a robust monitoring process for successfully funded projects is essential and we do not anticipate making major changes to these requirements. One of the key focuses of the IETF is to build evidence of the benefits, costs and risks of our funded technologies, and therefore to encourage replicability of the supported projects across the market. The monitoring process is also an important part of how the IETF ensures that we are delivering value for money on public spend in line with the Department’s responsibilities under the Managing Public Money framework. Additionally, it will also enable lessons learned that can encourage industry to invest in similar projects. Therefore, monitoring the realised benefits of our funded projects for several years will remain a feature of a robust IETF application process.

Q21. How can the IETF encourage further the sharing of knowledge of energy efficiency and deep decarbonisation measures between organisations.

110 respondents answered this question. Amongst recommendations provided by respondents, a common theme was increasing the amount of engagement sessions promoting the Fund. A variety of engagement sessions were proposed; these could either be webinars or in-person, Q&A sessions, or opportunities to highlight successes and learnings from past participants. Many respondents highlighted the value of inviting successful applicants to engagement sessions to help prospective applicants gain a first-hand experience of what makes a successful application.

Additionally, the possibility of adding stipulations into the application which mandate a degree of knowledge sharing was also a popular response. This would require a minimum standard of knowledge sharing from any applicant to the Fund to help accelerate industrial decarbonisation.

Another common suggestion was the creation and dissemination of case studies, which detailed the experience of successful applicants. One respondent suggested including archetypical applications as guidance for prospective applicants.

Using forums and working groups was also a popular idea. It was suggested that the IETF could connect applicants with complementary technologies into working groups. In these, the applications could share knowledge around their application and technology uses.

Some barriers around knowledge sharing were raised, such as hesitancy for businesses to share details about their technology in an attempt to remain competitive within the sector.

Our Response

All successful applicants are required to share details of their projects in the public domain via a case study. This information is disseminated via events that we hold, such as the IETF Technology Showcase and via online platforms. We will aim to incorporate the consultation feedback on this matter when considering further dissemination tools.

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

Q22. 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.

110 respondents answered this question. There was an overwhelming call from respondents for a continuation of support provided by the IETF in the long term. Respondents called for an increase in the size of funding available in the future, in comparison to the £185m allocated to Phase 3, and for further phases of the Fund. A common suggestion was the introduction of annual cycles of the Fund. It was highlighted that this approach to application windows would

better reflect internal financial decision making within these companies and it would reduce barriers created due to the time constraints of the application process.

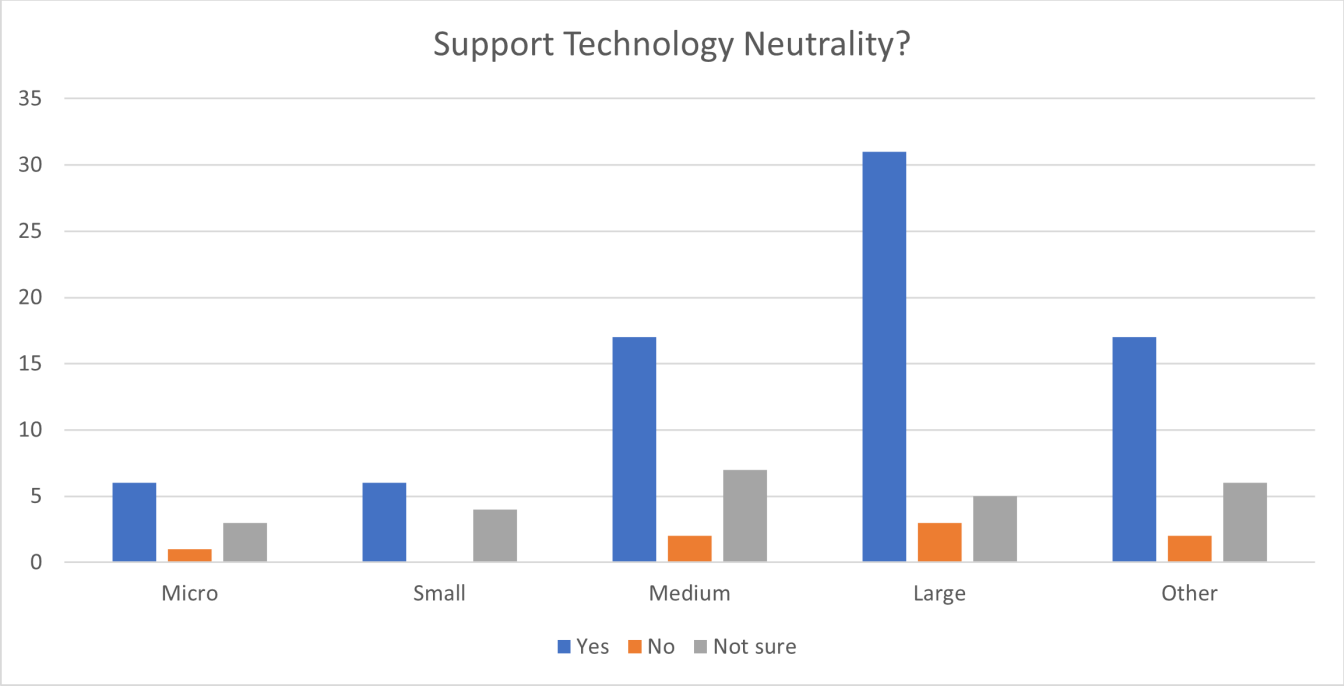
Respondents believed that a wider governmental plan was required to ensure Net Zero targets will be met. This would require departmental collaboration across government, with DEFRA notably mentioned. Additionally, there was a call for a reduction in the amount of different schemes available to industry, with those able to combine doing so, in order to reduce the complexity of the financing landscape. Furthermore, it would reduce the administrative burden on industry in researching funding options available to them, aiding in accelerating meeting EE and decarbonisation targets.

One respondent suggested the Fund should engage more with private financing institutions to provide longer term investment options for companies. This aligns with other respondents calling for a longer timeline for projects as this would allow for more ambitious decarbonisation and EE measures and increase stability in funding opportunities for industry.

Our Response

Government will aim to consider the options for extending the IETF beyond Phase 3.

Q23a. Do you support the principle of technological neutrality in the IETF?



Option	Total	Percent
Yes	77	70.00%
No	8	7.27%
Not Sure	25	22.73%

Q23b. Should any particular technologies or sectors be excluded or prioritised in future support should it become available?

110 respondents answered this question. There was an overwhelming response in support of the continuation of the IETF remaining technology neutral.

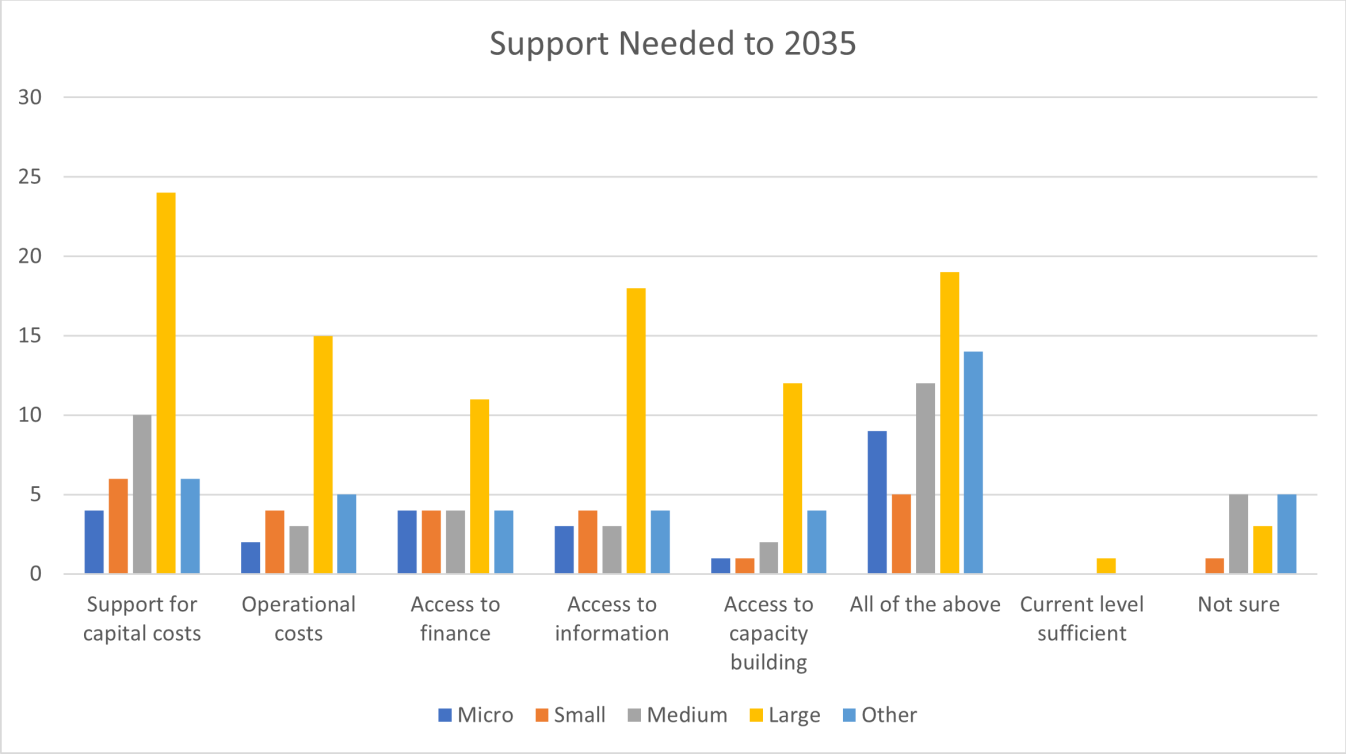
Respondents believed that remaining technology neutral was the most effective way of ensuring the Fund was contributing towards its objectives of reducing emissions and improving energy efficiency. Not remaining technology neutral was seen as hampering industry's ability to decarbonise their practices given that the IETF is currently the only active fund open to industry. Additionally, remaining technology neutral allows industry to solve their nuanced and diverse needs in the manner most appropriate to the specific applicant.

For those who do not agree, or were unsure, a common theme was to prioritise technologies relevant to energy-intensive industries. Through favouring intensive industries in the application process, these respondents believed that the IETF would best achieve its objectives of reducing emissions and energy use.

Our Response

The preference for technology neutrality in support schemes like the IETF will be noted in further government policy development.

Q24ab. 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?



Q24c. Please expand on the rationale of your choices

110 respondents answered this question. 53.63% of respondents selected that all the above methods of support are needed to enable EE and decarbonisation projects. This echoes statements made in previous questions in this consultation of a wide range of support methods being necessary to providing industry with the decision to select those most applicable to their nuanced needs.

Of those that selected specific strands of support, 50 listed providing support for capital costs as the most effective form of governmental support. Initial investment costs were noted as a barrier to a significant amount of businesses wanted to decarbonise their processes. Government-funded support, such as the IETF, was listed as essential in incentivising businesses to make the necessary investments without suffering too much economically.

The IETF was mentioned as a valuable element in Government support for industrial efficiency improvements. IETF support beyond Phase 3 was raised as an effective form of support for industry. However, the size of the funding allocated to the Fund would need to be increased, according to respondents.

Support for operational costs was also highlighted as necessary for industry, particularly once improvements funded by subsidies such as the IETF were complete. Current volatile energy prices and inflation will disincentivise businesses from making necessary efficiency measures without both capital and operational costs support.

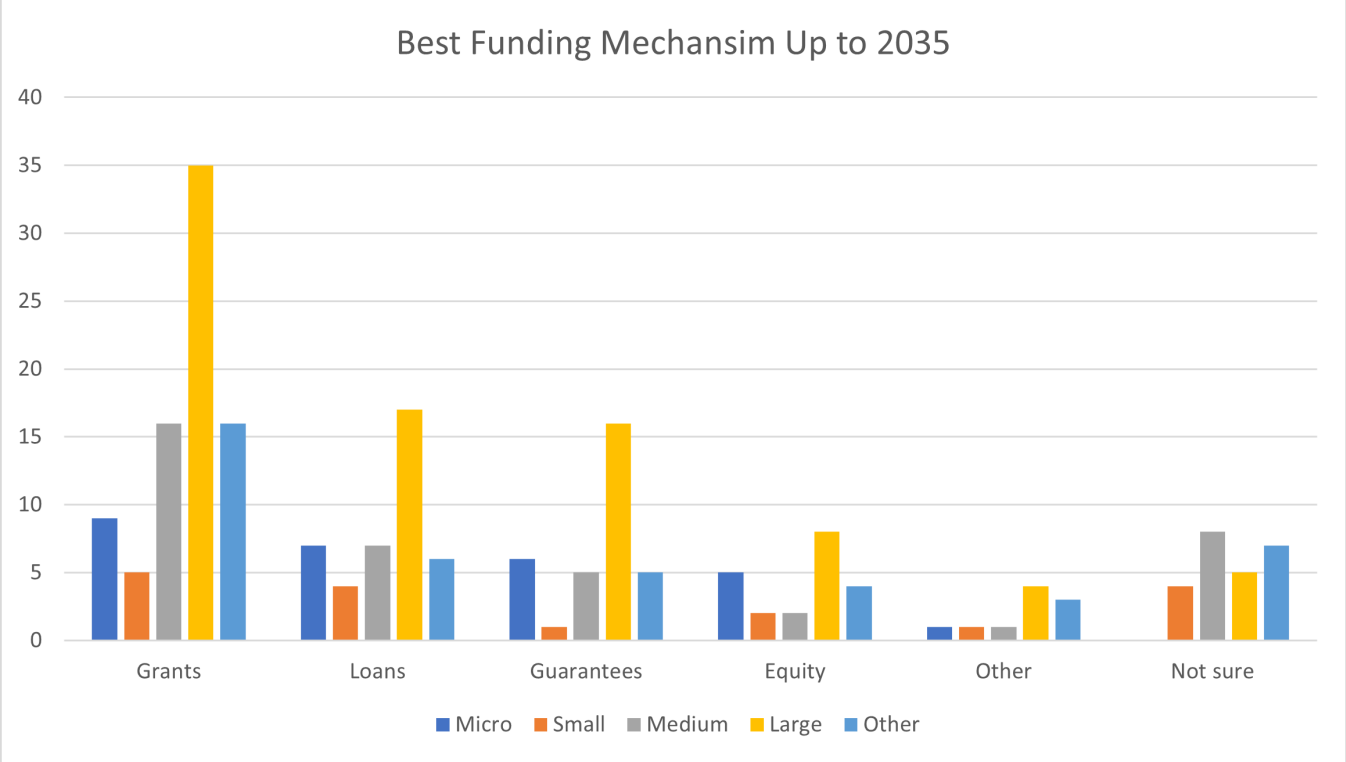
Electrification was seen as a major player in future industrial efficiency improvement measures. As such, several respondents highlighted upgrading grid capacity as a vital necessity in any move towards meeting Net Zero goals. This was highlighted as a particular issue for dispersed sites, where infrastructure support is not at a similar scale than within clusters.

Alternate methods of investing in industrial decarbonisation and EE were also raised. One respondent suggested a method of recycling revenue acquired through the ETS into decarbonising schemes such as the IETF.

Our Response

We recognise the multiplicity of challenges and opportunities for companies on their journey to Net Zero. The government will aim to consider these bespoke needs in the development of future support packages.

Q25a. 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?



Q25b. Please provide the rationale for your choices

110 respondents answered this question. The majority of respondents responded that grants are the most effective funding mechanism. The reasons for this followed the theme of reducing the costs for project costs and eliminating the barrier of CAPEX costs. Access to the initial investment is a barrier for lots of businesses in making changes towards EE or decarbonising their processes. Grants are preferred over loans and other forms of funding mechanisms due to the need to repay loans and the complexity involved in other mechanisms.

The second most popular funding mechanism was to offer loans. However, it was stipulated that only low-interest loans would lead to meaningful change and an interest from industry to apply. The high payback periods often associated with decarbonising processes particularly, would mean that industry would only consider low-interest loans.

Several respondents noted that the range of options available was appropriate as these allowed businesses to make an informed decision that suited their requirements.

Our Response

We recognise that a range of complementary financing and subsidy solutions may be required to address the bespoke investment barriers that companies face in their journey to net zero. Opportunities to develop further financing solutions are outlined in the Green Finance Strategy, and IETF consultation feedback will aim to inform policy development.

Q25c. Do you feel that the existing balance between these different types of government support is appropriate?

110 respondents answered this question. Respondents largely agreed that the existing balance between types of Government support was appropriate. However, several respondents suggested that the amount of funding offered through grants was inadequate to incentivise industry to decarbonise at the rate required to meet Net Zero targets. Another respondent believed that current Government support was tailored to larger businesses and was not supporting SMEs adequately.

Our Response

We recognise that the accessibility of IETF support for SMEs may be limited. We have made efforts to increase our support to SMEs through lowering the minimum grant threshold for them and working to streamline the application process.

We will continue to identify and work on further support for industry. In addition, we are currently piloting a Business Energy Advice Service offering subsidised energy assessments and grant funding to implement energy efficiency measures to SMEs, including those in manufacturing sectors, in the West Midlands.

Q26. Besides energy and emissions savings, what wider benefits could funds like the IETF deliver? How would you assess and evaluate these benefits?

110 respondents answered this question. For wider benefits that funds like the IETF could provide, a popular answer was its ability to ensure that UK industry remains competitive on a global market. Retrofitting equipment and updating processes will allow industry to become more efficient and reduce costs. It was noted that within a market where a commitment towards Net Zero ambitions is rapidly becoming desirable, support provided by the IETF and other government funds is allowing these businesses to become more competitive. It was suggested that these benefits be measures through assessing a company's contribution towards its own Net Zero ambitions, and how the support provided by these funds are helping.

Several respondents noted a potential to assess the environmental impact of projects applying to the IETF. This would be assessed through conducting environmental impact assessments to determine how the project provides benefits to biodiversity and other environmental issues. Some 'soft' benefits that were raised was improving accessibility within the site and ensuring building regulation compliance.

Following volatile energy prices, several respondents highlighted the benefit of providing security to businesses through greater energy efficiency, reducing dependency on volatile energy markets.

Respondents also highlighted that the IETF, and government support in general, could do more to support SMEs. Due to a limited budget, SMEs are often unable to invest into innovative ideas without funding support. Funds like the IETF would provide SMEs with the ability to invest in these innovative EE and decarbonisation methods which could contribute to

wider targets. One respondent highlighted that this could contribute to wider Government ambitions of levelling up various areas of the UK, through supporting businesses and SMEs located across the UK. This is paired with its creation of jobs and upskilling of the workforce.

Our Response

It is a priority for the government to ensure that UK companies are competitive in the global market. This is being reflected in the support being provided by the IETF and wider policy landscape. Through working with industry to fund energy efficiency and deep decarbonisation, the IETF can support companies to become more resilient. This may in turn help protect and create jobs in projects and the supply chain.

There is a focus on tailored support for SMEs not just within the IETF but across government decarbonisation support, ensuring that all of industry are supported in this net zero journey. As stated in our response to Q25c, we are currently piloting support options for SMEs via the Business Energy Advice Service.

Our assessment process is primarily designed to quantify those benefits which are aligned to the IETF's strategic objectives. We understand that prospective projects may produce a variety of additional benefits in addition to those assessed via our assessment framework. To ensure a proportionate and consistent approach we aim to maintain the focus on just those benefits which are directly linked to the IETF's strategic objectives in our assessment and evaluation for Phase 3. We will consider the evidence on wider benefits that can be unlocked by government support in the development of further interventions.

This publication is available from: www.gov.uk/government/consultations/future-of-the-industrial-energy-transformation-fund

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