LOW CARBON ENERGY

# Empowering Energy-Intensive Industries: A guide to government support

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2050

The target for net-zero set by the UK government.

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Energy intensive industries (EIIs) form a vital part of the UK's industrial economy, covering sectors including steel, chemicals, cement, glass and paper. But while these industries power the nation, they also consume significant amounts of energy, making them particularly vulnerable to volatile energy markets and rising costs.

## Low Carbon Energy works with businesses across the UK and Ireland to help reduce energy bills, decarbonise operations, and build long-term energy security.

If your business is part of an EII, there's a range of government support available to help you stay competitive while reducing your carbon footprint.

In this guide, we'll explore the support currently available, along with insights from our Director and Founder, Ged Ennis, on how you can make the most of it.

# British Industry Supercharger (BIS)

Launched in April 2024, the 'British Industry Supercharger' is designed to tackle the high electricity prices facing EIIs. UK firms pay some of the highest industrial energy rates in Europe, and this package aims to bring UK energy costs in line with other global economies, offering:

- 100% exemption from renewable levies and the Capacity Market (up from 85%)
- Network Charging Compensation (NCC) offering a £10/MWh discount on grid usage from April 2025

# EII Renewable Levy and Capacity Market Exemption scheme

This scheme (detailed in the government guidance, here) is designed to reduce the burden of electricity policy costs for EIIs, and if your business is eligible, you can now receive a full (100%) exemption from the indirect costs of:

- Contracts for Difference (CfD)
- Renewables Obligation (RO)
- Feed-in Tariffs (FiTs)
- Capacity Market charges

These exemptions apply to energy bills where suppliers pass on these costs to customers.
You'll need to apply for an exemption certificate, demonstrating eligibility based on energy intensity and sector classification.



# Who qualifies?

The scheme applies to eligible EIIs in England, Wales and Scotland (Northern Ireland is currently excluded).

To qualify, businesses must pass both a Sector and Business Level Test:

**Sector Level Test**

Your business must carry out an activity listed in Annexe 1 of the government's official guidance. These typically have an electricity intensity of at least 7% and face significant international competition.

**Business Level Test**

Your business must demonstrate an electricity intensity of 20% or more i.e. your electricity costs must account for at least 20% of your Gross Value Added (GVA) over a defined reference period.

You must also have:

- At least two quarters of financial data
- A minimum of three months' evidence showing the proportion of electricity used in eligible manufacturing activity

# How to apply

Eligible businesses can apply by downloading and completing the application forms from the UK government website. It's essential to read the full guidance before submitting.

If approved, you'll receive an EII certificate, which must then be shared with your electricity supplier so the exemption can be applied to future bills.

# What if your business does a mix of eligible and non-eligible activities?

You can still benefit from the exemption, but only on a proportional basis. You'll need to:

- Accurately calculate the proportion of electricity consumed in eligible activities
- Provide evidence, such as metered usage data or production breakdowns

For example, if 60% of your output is eligible (i.e. non-woven fabric) and 40% is non-eligible (i.e. apparel), you may only claim the exemption on 60% of your electricity consumption.



# Temporary reduction in electricity usage?

If your electricity usage drops below the qualifying threshold due to exceptional events, like a flood or fire, you may still qualify.

The scheme allows for 'force majeure' exceptions if the event was unforeseeable and beyond your control, but you'll need to provide supporting documentation to demonstrate the impact on your operations.

At Low Carbon Energy, we can support you through the entire process, from identifying eligibility and calculating your electricity intensity to preparing your application, and helping you integrate solar or energy efficiency systems that further reduce grid dependency.

# Network Charging Compensation (NCC)

Coming into effect on 1st April 2025, the Network Charging Compensation (NCC) scheme offers qualifying businesses up to 60% relief on key network charges, including:

- Transmission Network Use of System (TNUoS)
- Distribution Network Use of System (DUoS)
- Balancing Services Use of System (BSUoS)

This support is funded through the EII Support Levy, a charge applied to electricity suppliers, ensuring the cost of maintaining a secure, reliable grid is shared more fairly across the system.

## Who's eligible?

**If your business holds a valid EII certificate for the full duration of any given month, you may be eligible for a quarterly NCC payment. The first payments will be issued from May 2025.**



# How do I apply for the NCC?

The scheme is administered by Elexon. Unlike other support schemes, **payments are not made automatically** - eligible businesses must submit a claim for each quarter.

The application process:

| | |
|---|---|
| 1. **Register** | Register via the Elexon NCC Portal |
| 2. **Submit** | Submit a quarterly online application for payment within the designated window |
| 3. **Receive** | Receive monthly payments based on your approved claim |

To claim your NCC support payment, your application must be submitted during the following windows:

- **31st December – 31st January** (for charges incurred in October, November, December)
- **31st March – 30th April** (for January, February, March)
- **30th June – 31st July** (for April, May, June)
- **30th September – 31st October** (for July, August, September)

Elexon has also published a payment schedule to help businesses understand when to expect their monthly payment, once a claim has been submitted and approved.

# Climate Change Agreements (CCAs)

A Climate Change Agreement (CCA) is a voluntary agreement between your business and the Environment Agency, whereby if you commit to and achieve agreed energy or emissions reduction targets, you get a significant discount on the Climate Change Levy (CCL), a tax normally added to your energy bills.

These discounts can be substantial, with up to 90% off the CCL for electricity, and 65% off for other fuels.



# Who benefits from CCAs?

CCAs are available to a wide range of sectors, including EIIs such as:

- Steel and metal manufacturing
- Glass production
- Data centres
- Textiles and industrial processing

To qualify, your business must carry out eligible activities listed in Appendix A of the official operations manual. If you're unsure whether your operation is covered, our team can help assess your eligibility.

# How do CCAs work?

There are two levels of agreement:

- Umbrella Agreements - managed by a sector association (e.g. the Metal Packaging Manufacturers' Association), setting the overarching targets and metrics for a specific industry.

- Underlying Agreements – held at site level by individual operators, committing a facility to specific energy reduction targets based on the umbrella agreement for its sector.

**This structure ensures that national targets are supported by action at the site level, where real energy savings happen.**



# What's changing in the new CCA scheme?

The current scheme (extended to March 2027) is being replaced by a new, separate CCA scheme set to run for six years, with CCL relief extended until March 2033.

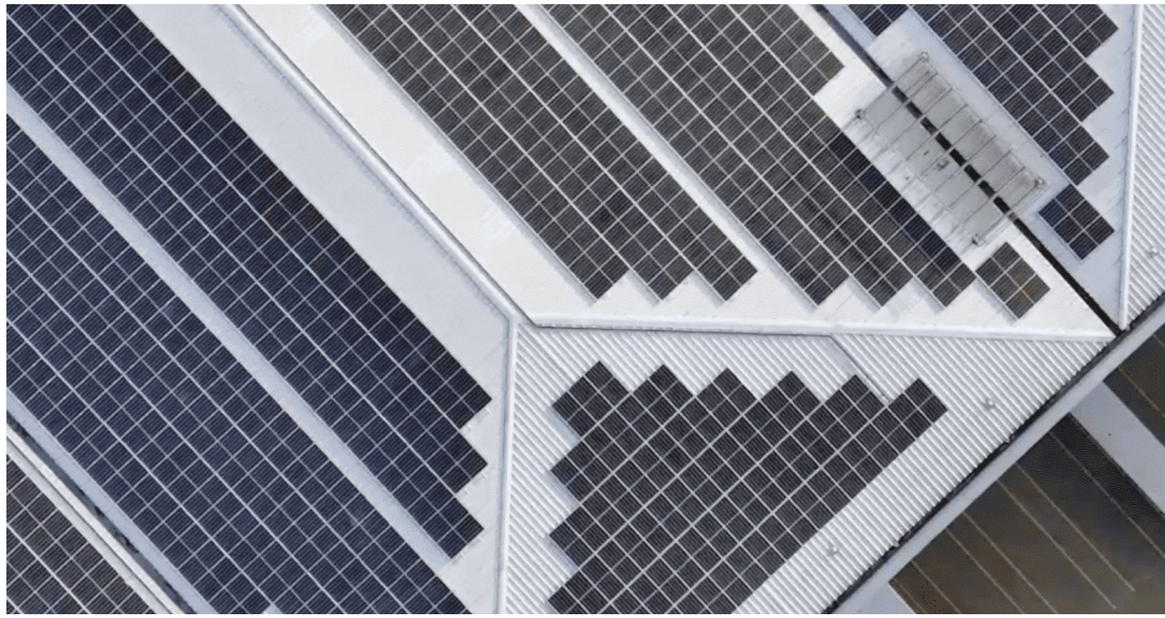
## Key changes include:

- Businesses will need to reapply for the new CCA and will not be automatically transferred. Even if you were previously part of the scheme, you must meet the updated eligibility criteria.

- Targets will now be set against 2022 as the reference year.

- The new scheme removes the option to group multiple sites under a single target ('bubbling'). Instead, each site will report its own performance individually.

- An Energy Management System (EMS) is no longer required, but still recommended as best practice.



# How to apply for the new CCA scheme

- The main application window for new CCAs will run from 1st May to 31st August 2025.
- After that, new entrants can join between 1st January and 31st August each year throughout the scheme.
- New sectors may also become eligible, but these will not be allowed to join the scheme until 1st January 2027.

# UK Emissions Trading Scheme

The UK Emissions Trading Scheme (UK ETS) plays an important role in driving down carbon emissions from industry and power generation, but for energy-intensive businesses, it can also mean higher electricity costs. That's because carbon pricing forces electricity generators to buy allowances for the emissions they produce. These costs are then passed down the chain to consumers, and the more electricity you use, the more of that cost you absorb.

For UK-based manufacturers competing internationally, this creates a real risk of carbon leakage, where production shifts to countries with lower or no carbon pricing.

The UK ETS provides financial support to eligible EIIs, with the aim of helping UK industries remain globally competitive while continuing to invest in low-carbon innovation.

# Am I eligible for UK ETS Compensation?

The scheme is available to businesses in certain energy-intensive manufacturing sectors, as defined by their Standard Industrial Classification (SIC) codes. These are listed in the official government guidance and are updated periodically.

# Mixed activities? You may still be eligible

If your business manufactures both eligible and non-eligible products, you can still apply, but only for the portion of energy usage linked to the production of eligible items. Where possible, you'll also need to support your claim with metered data that clearly shows how much electricity was used in eligible production processes.

**To be eligible, your organisation must:**

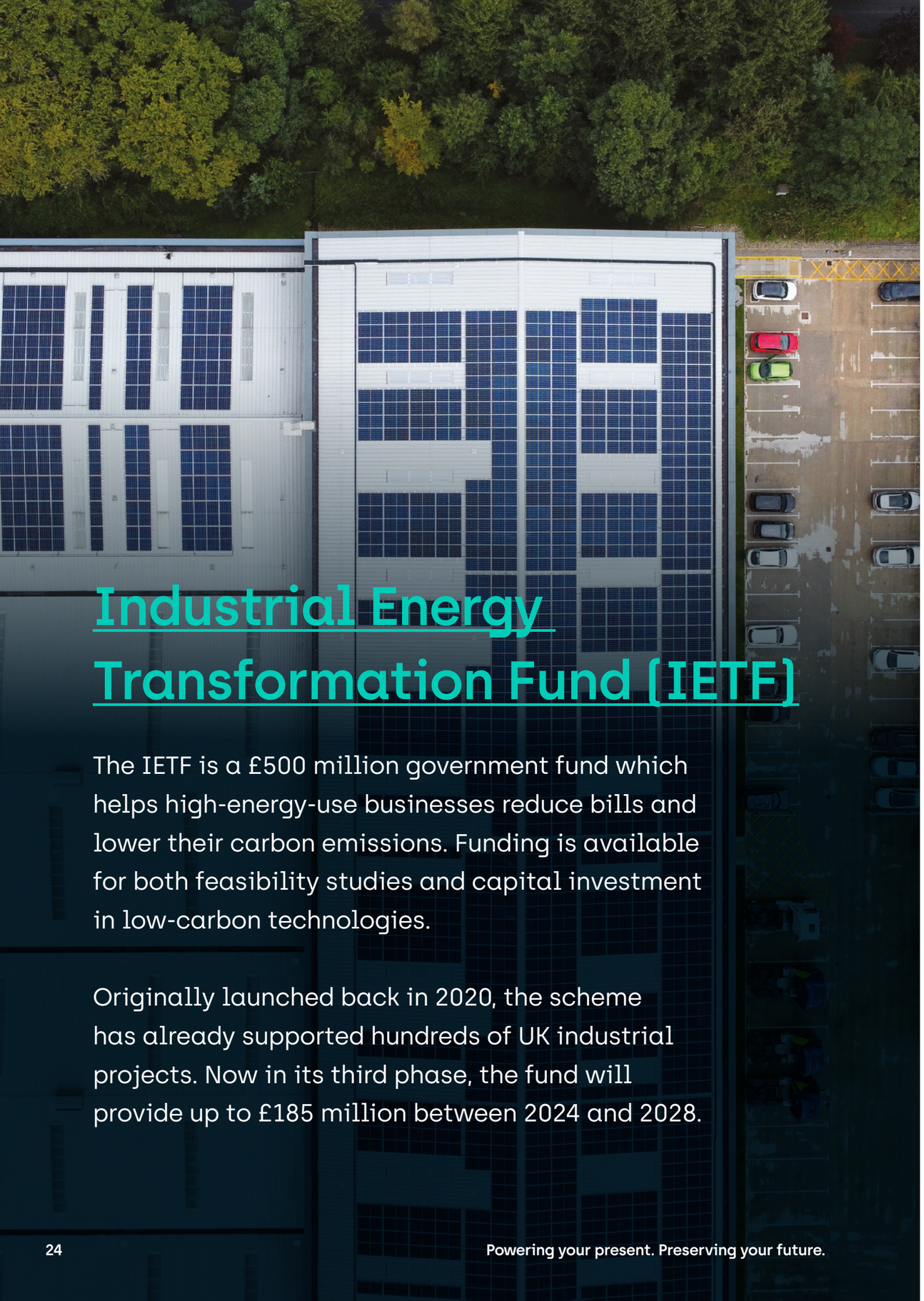
- Manufacture an eligible product (resellers or distributors do not qualify)
- Operate in England, Scotland or Wales (the scheme does not operate in Northern Ireland)

In addition, businesses must also pass the '5% test' to qualify. This means demonstrating that the indirect carbon costs passed on through electricity bills represent more than 5% of your Gross Value Added (GVA).

## Key points:

Calculations are typically based on the last five years of accounting data (less if your business is newer)

You must use a recognised method for calculating both GVA and carbon-related costs, as outlined in the official guidance



# Industrial Energy Transformation Fund (IETF)

The IETF is a £500 million government fund which helps high-energy-use businesses reduce bills and lower their carbon emissions. Funding is available for both feasibility studies and capital investment in low-carbon technologies.

Originally launched back in 2020, the scheme has already supported hundreds of UK industrial projects. Now in its third phase, the fund will provide up to £185 million between 2024 and 2028.



# Do I qualify for IETF funding?

The IETF fund is open to industrial businesses based in England, Wales and Northern Ireland with projects that focus on reducing energy use and emissions (businesses in Scotland should apply to the Scottish IETF). Phases 1 and 2 allocated funds for feasibility studies, industrial energy efficiency projects and deep decarbonisation technologies. Phase 3 of the IEFT covers:

- Engineering studies
- Energy efficiency deployment
- Deep decarbonisation projects

## How to apply for IETF Phase 3

Phase 3 funding is being distributed via two application windows:

- The first window ran from January to April 2024
- A second competition window is planned, though the exact timing (initially scheduled for autumn 2024) is still to be confirmed

Updates will be published via the official government guidance and at Low Carbon Energy as soon as further details are released.

# Energy Bill Support for ETIIs

The UK government replaced its Energy Bill Relief Scheme (EBRS) with the Energy Bills Discount Scheme (EBDS) in April 2023, a less generous package aimed at supporting businesses with rising energy costs.

However, for organisations operating in energy and trade-intensive sectors (ETIIs), enhanced support may still be available. If your business meets the criteria, it's essential to act quickly as eligibility is not automatic and claims must be submitted through the correct channels.

To access the enhanced discount, your organisation must be based in the UK and must prove that at least 50% of revenue is from UK-based activity within eligible SIC code sectors.

Some Local Authority-run sites, such as libraries and museums, may also qualify.

## What support is available?

Under the EBDS, ETIIs can benefit from greater discounts than the standard rate. Discounts are calculated based on the difference between a defined price threshold and the actual wholesale price.

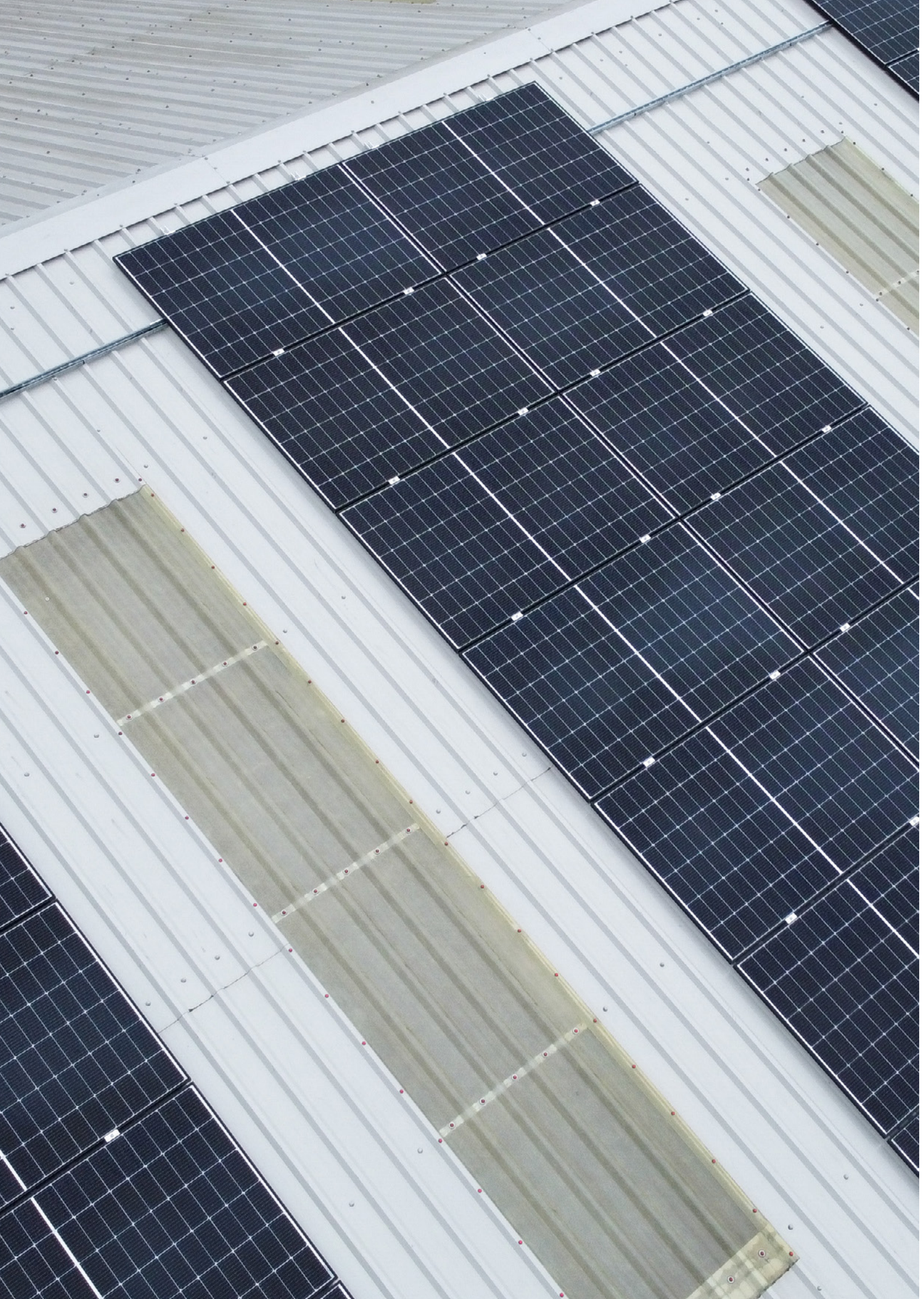
### Electricity

Discount applies where wholesale prices exceed £185 per MWh, capped at £89/MWh.

### Gas

Discount applies where wholesale prices exceed £99 per MWh, capped at £40/MWh

Only 70% of your energy volumes are eligible for this enhanced support, while the remaining 30% will be assessed under the standard EBDS criteria.



# Support for Non-Standard Customers (NSCs)

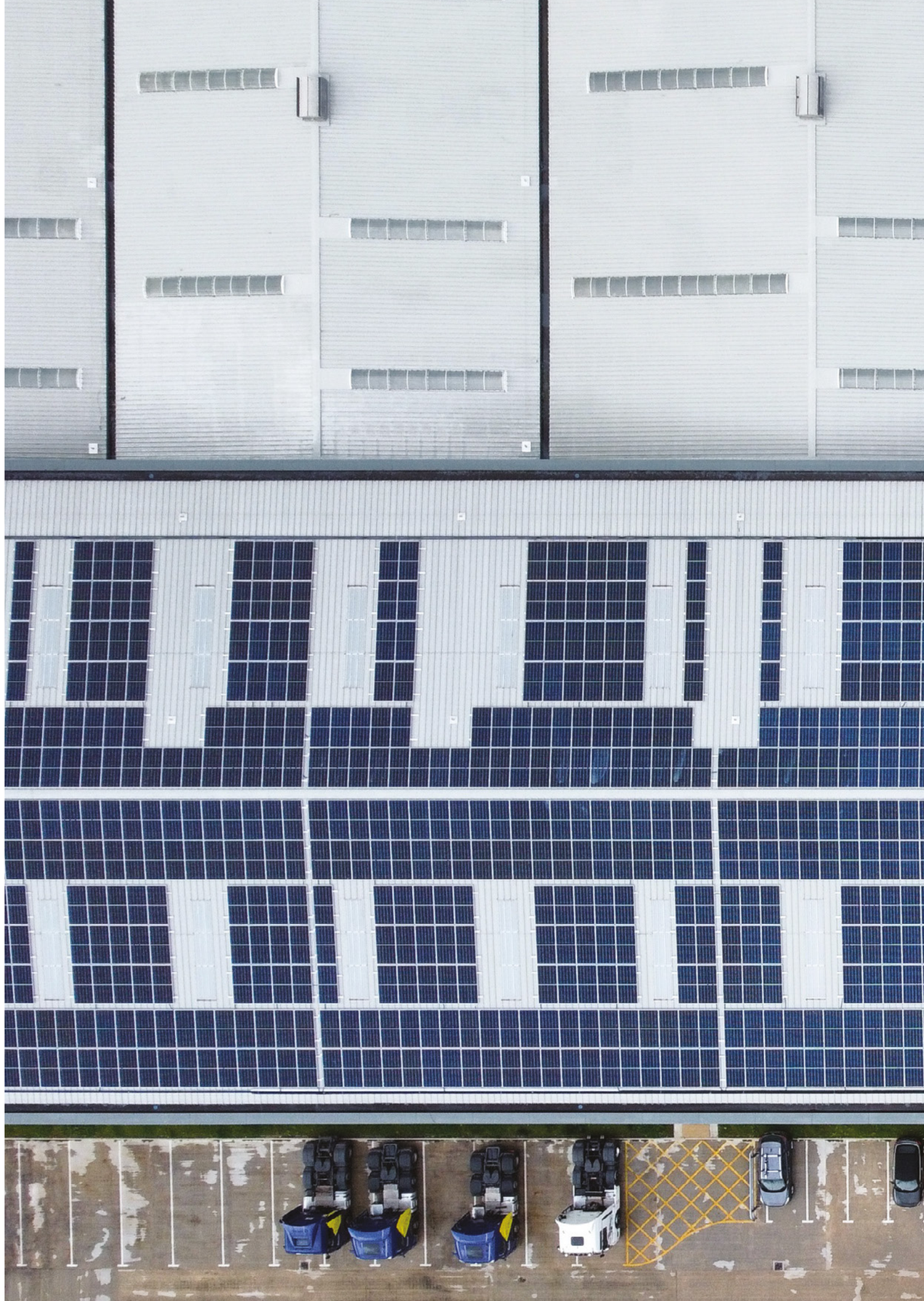
If your organisation receives energy via a license-exempt supplier, usually through a private wire or off-grid gas system, you may still be eligible for government support under the Energy Bills Discount Scheme (EBDS).

These 'Non-Standard Customers', or NSCs, include some public sector organisations and energy-intensive industries, for which support is available for energy used between April 2023 and March 2024.

Backdated claims are also available, and eligible businesses can apply for relief dating back to October 2022 under the former Energy Bill Relief Scheme (EBRS). This applies whether you get your license-exempt supply from the public grid or from waste, anaerobic digestion and biomass plants.
It is recommended that businesses review the full guidance at GOV.UK and speak to a Qualified Energy Professional (QEP) before submitting their application.
If you need help understanding your eligibility or support with the claims process, the team at Low Carbon Energy are here to guide you through it.

# How Low Carbon Energy Can Help

Our team are on hand to support businesses operating in energy-intensive sectors. From system design and installation, to grant applications and strategic consultancy, we're here to help your organisation reduce energy costs, meet sustainability targets and provide expert support and guidance.



# Your business needs to find ways of

- Reducing energy consumption
- Improving energy efficiency
- Taking steps to offset emissions

As experts in the design, installation and maintenance of extensive solar-powered systems, we use the sun's energy to power your present and preserve your future.

To see how we can empower your business to reduce your carbon footprint, increase your efficiencies and achieve net-zero targets, just get in touch with one of our experts.

**info@lowcarbonenergy.co** LowCarbonEnergy.co

01282 421489
3-4 Clock Tower Mill, 1 Neptune Street,
Burnley, Lancashire, BB11 1SF

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