

# Energy Markets Financing Scheme opens today

- The 'Energy Markets Financing Scheme' opens today to help support viable energy firms with major operations in the UK from the unprecedented volatility triggered by Russia's illegal invasion of Ukraine.
- These firms will be able to apply for government-backed guarantees to secure commercial financing and meet large margin calls from energy price volatility.
- Following a rigorous approval process, a 100% guarantee will be issued to commercial banks on additional lending for approved firms. The Government will only be liable if a firm defaults on their repayment.

Russia's brutal and illegal invasion of Ukraine has led to unprecedented volatility in wholesale energy markets. Over the past month, natural gas futures prices have been changing by more than 15% a day.

This backstop scheme will help firms facing temporary short-term financing problems. The EMFS will allow commercial banks to provide larger credit lines to approved energy firms that are unable to meet extraordinary margin calls due to large moves in energy prices.

This vital intervention will help support wider confidence in the energy market and could help reduce the eventual cost of energy for businesses and consumers.

The scheme will be open to firms of good credit quality playing a significant role in UK energy markets, as generators, shippers or suppliers. They must currently operate in the UK energy market and must be, or have an entity which is, Ofgem-licensed. Firms will need to demonstrate they are facing large liquidity needs from margin calls when hedging their energy price risk. The EMFS is broadly similar to schemes launched in Germany, Finland and Sweden.

Chancellor of the Exchequer, Jeremy Hunt, said:

"A resilient energy market is vital as we all grapple with the consequences of Putin's horrifying invasion of Ukraine and his decision to weaponise Russia's energy reserves.

"Today we are continuing to act to ensure the market itself is secure, significantly reducing any risk of market failure."

Governor of the Bank of England, Andrew Bailey, said:

"The volatility in energy markets we have seen in recent months, caused by Russia's invasion of Ukraine, has resulted in a number of energy firms facing extraordinary liquidity requirements.

"This scheme will provide short-term financial support for these firms so

they can weather this period, while also supporting the wider resilience of energy markets in the UK.”

From today, the Bank will screen initial applications for eligibility. HM Treasury will then robustly assess the credit risks and limits before giving final approval. The Bank will then issue a 100% guarantee to the energy firms’ existing commercial bank or banks they use for additional lending. Whilst using the scheme, energy firms will be required to comply with a set of policy conditions, such as restrictions on the use of funds, executive pay, and capital distributions.

Firms have three months to apply and once approved will be able to benefit from a guarantee for a further 12 months.

State owned firms and energy firms owned by financial institutions and commodity trading houses will not be eligible for the scheme.

The ‘Energy Markets Financing Scheme’ was [announced](#) on 8 September 2022 alongside the Energy Price Guarantee, with [further details](#) confirmed as part of the Government’s Growth Plan on 23 September 2022.

#### **Further information:**

- The Market Notice will be published [here](#). Further information and guidance, including on the application process and eligibility criteria, will be published shortly after.
- The scheme will be open to applications from 17 October 2022 until 27 January 2023.
- In the event of a verified guarantee claim from a commercial lender, HMT will settle the claim in accordance with the 100% guarantee, with the Bank acting as agent in that payment. HMT will fully indemnify the Bank for its role in the EMFS.
- Applications will be assessed initially by the Bank of England and then by an Advisory Committee, who will make a recommendation for the Chancellor to decide whether to approve or reject an application.
- HM Treasury, supported by UK Government Investments, will manage and monitor usage of the scheme once launched. HM Treasury and the Bank will also undertake and share reporting relating to the elements of the scheme for which they are responsible.
- The EMFS comes on top of the Energy Bill Relief Scheme, for all eligible non-domestic customers, and the Energy Price Guarantee, which will ensure that a typical household in the United Kingdom pays around £2,500 a year on their energy bill, depending on their use, for the next 2 years, from 1 October 2022.