

News story: £100 million a year boost for energy intensive industries

Regulations to save heavy electricity users like steel and chemical companies around £100 million a year in energy costs have been laid in parliament today.

The government expects the new measures to benefit over 130 eligible energy intensive companies across the UK in sectors including steel, chemicals, glass and cement. The new measures will exempt these companies from a proportion of costs of the [Contracts for Difference scheme](#), which is designed to encourage investment in low-carbon energy generation.

Contracts for Difference are won through a competitive process which drives down costs and guarantees companies a certain price for the low-carbon electricity they produce for a set number of years. This gives them the support and certainty they need to attract investment and get projects off the ground.

The costs of funding the scheme are recovered through a levy on energy suppliers which is passed on to domestic and business energy bills. This only makes up a minor part of most electricity bills, but has a more significant impact on those industries that use a lot of electricity.

The government committed in the [Industrial Strategy green paper](#) to minimise business costs and commission a review of the opportunities to reduce the cost of achieving our decarbonisation goals in the power and industrial sectors.

Energy Minister Jesse Norman said:

We want the UK to be one of the best places in the world to build and grow a business, and that means creating the right conditions for companies to thrive and succeed.

These industries are worth £52 billion to the UK economy, support 600,000 jobs and produce essential products that people use every day. That is why we have taken this action to support them.

Although energy costs on average account for 3% of UK business expenditure, there are 15 sectors where this reaches 10%.

In addition to the support announced today the government is continuing discussions with the European Union about securing further exemptions from policy costs for energy intensive industries. In the meantime a compensation scheme for the policy costs of the Renewables Obligation and Feed-in Tariff schemes remains in place.

1. The government launched a [consultation into the proposed Contracts for Difference exemption for energy intensive industries](#) last year. The response to this consultation has been published today.
2. The other policy costs the government is seeking exemptions for energy intensive industries from are the Renewables Obligation and Feed-in-Tariffs. Discussions with the European Union are continuing about securing these exemptions and we will make a further announcement in due course.
3. The energy intensive companies receiving relief are typically located in areas with above average unemployment. Over half of energy intensive industry compensation is paid to sites in the bottom 18% of local authorities by claimant count.