

Express your views on the government's proposal to widen the Energy Intensive Industry (EII) exemption

The government is considering widening eligibility for the EII exemption and is inviting views from electricity consumers. To express your view, complete the online form [here](#) or email energyintensiveindustries@beis.gov.uk. You can read the full government consultation document [here](#). The consultation closes at 11:45pm on 7 September 2018.

Why is the government proposing a change?

The government has recognised that companies who qualify for current EII exemption could have a competitive advantage over those UK businesses within the same sector, who don't qualify. High electricity prices attributed to renewal policy costs may also lead to industrial businesses investing outside the UK.

What would change?

The government is proposing that the intensity threshold is reduced from 20% to 17%, 15% or 10%. The lower the threshold, the more businesses can become eligible. The government is also considering whether to lower the exemption available, which is currently 85% of policy costs. This percentage may vary - for example businesses with a lower intensity would receive a lower exemption percentage. The change could save some businesses around £2.8m per year.

Who does this change affect?

Domestic users and small businesses: By allowing more businesses to be eligible, non-eligible consumers will be charged more. This means that small businesses and domestic consumers will see an increase in their electricity bills. The proposal to lower the exemption percentage available for lower intensity businesses would help reduce this impact.

Large electricity users (below current 20% intensity threshold): Businesses in certain sectors whose electricity costs meet a 10%, 15% or 17% intensity threshold may become eligible for the exemption. A business can work out their electricity intensity percentage by calculating electricity costs as a proportion of Gross Value Added (GVA).

Large electricity users who are currently eligible for the exemption: These businesses will still be exempt from paying the renewable policy cost, and the exemption remains at 85%. However, widening the exemption to include more businesses would mean that the remaining 15% would increase. The below table shows estimated figures provided by the government, to demonstrate the changes to consumer bills.

Threshold	Impact on households	Impact on small energy users	Impact on medium energy users	Impact on large non-exempt users	Impact on large exempt users
20% (current)	£4	£300	£11,000	£100,000	-£2.8m
17%	£5 (0.2%)	£400 (0.2%)	£14,000 (0.2%)	£130,000 (0.3%)	-£2.8m (0.1%)
15%	£6 (0.3%)	£400 (0.4%)	£17,000 (0.4%)	£150,000 (0.5%)	-£2.8m (0.1%)
10%	£8 (0.7%)	£600 (0.8%)	£23,000 (0.9%)	£210,000 (1%)	-£2.8m (0.2%)

The monetary values in the table represent the total bill impacts of the scheme under the different thresholds, rather than additional impact of moving from the 20% eligibility threshold to a lower threshold. The percentages in brackets represent the additional impact of moving from the current threshold to a lower threshold.

Background on the EII exemption

There are policies in place in the UK to drive renewable growth and help the UK meet carbon targets. The schemes associated with these policies are typically funded by electricity consumers, through invoices.

These schemes have led to an increase in the cost of electricity. The government introduced the EII exemption scheme in 2016, to exempt eligible large industrial electricity users instead of receiving compensation after paying the costs as per the previous scheme. They did this to make sure that these businesses could stay competitive with companies in Europe. Eligibility is based on whether the user is within the eligible sector and, currently, that electricity costs must also be at least 20% of its Gross Value Added (GVA).

For more information, please speak to your Account Manager who will be happy to help.