POLICY

ENERGY CONSULTATION ENERGY INTENSIVE INDUSTRIES (EIIS)

Relief for EIIs from the Indirect Costs of the Northern Ireland Renewables Obligation (NIRO)

This paper sets out options for the provision of relief for Energy Intensive Industries (EIIs) from the indirect costs of the Northern Ireland Renewables Obligation (NIRO). Relief is currently provided through a Compensation Scheme, funded and administered by the Department for Business, Energy and Industrial Strategy (BEIS), for which funding has been allocated until 31 March 2023.

Response submitted by

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Question 1: Have you any evidence to suggest that DfE's estimate of additional costs to other consumers may be incorrect.

Energy Saving Trust have no further evidence of additional costs to other consumers however we recognise the significant benefit which the NI Renewables obligation has been in developing the renewable energy market in Northern Ireland enabling the achievement of the target to meet 40% of electricity consumption from renewable sources by 2020. New approaches will be required to meet the targets set out in recently adopted Climate Change Bill whereby we seek to achieve 80% by 2030.

Question 2: If DfE was to proceed with an Exemption Scheme, how might it ensure that the fuel poor are protected from additional hardship? Do you agree that additional manual checks of current software reports will be manageable in practice to demonstrate

If we seek to achieve the vision set out in "A 10X Economy" 10x-economy-ni-decade-innovation.pdf of delivering positive economic, environmental and societal outcomes by supporting a greener, sustainable economy then new investment initiatives will have to be developed to meet these challenges effectively across Departments.

Energy Saving Trust would suggest that any exemption scheme will invariably pass costs from those businesses exempted to other consumers including those in the fuel poverty if funding is not provided externally. Recent reports from the Utility regulator show electricity rates in the small/medium Industrial & Commercial sectors paying rates well above EU median prices q4-2021-qremm-final.pdf (uregni.gov.uk). Invariably passing these costs from the large (relatively small number of companies) to the medium and small Industrial and commercial customers has a knock-on effect on their competitiveness and invariably will fail to meet the objectives of Northern Ireland economy 10X vision.

Passing costs down further to domestic customers will increase the numbers of households in fuel poverty. The Utility Regulator outlines the current issues with gas prices as follows "in December 2021 gas was being traded at a record £4.71 per therm. This compares to a historic normal of around £0.50 per therm ur-newletter_feb22.pdf (uregni.gov.uk). in addition, the Regulator has confirmed that "there are no immediate signs of any easement in the high energy prices consumers are experiencing".

Considering these issues, it is very difficult in this scenario to protect those in fuel poverty from bearing additional costs. A means tested scheme could be introduced but runs the risk of being administratively resource intensive and could be costly.

Question 3. Do you agree that EIIs in Northern Ireland should continue to receive relief from the costs of the NIRO? Select only one item

Yes

Please state the reasons for your answer.

Currently the Consultation suggests that approximately ten large industries would incur costs of approximately £1.6 Million pounds if a relief scheme is not implemented.

Energy Saving Trust would agree with the consultation statement "that High electricity prices puts pressure on industry profits as businesses cannot pass limitless costs on to consumers because they are competing in highly traded sectors. This reduces investment, including investment in energy efficient equipment for example, and impedes competitiveness". It is important that Northern Irelands energy intensive industries remain competitive and as such continue to maintain employment levels and contribute to wider economic prosperity.

The Scottish Government consulted in parallel with BEIS in 2019 on a range of issues including exemption levels and the 20% electricity intensity and aid intensity level of 85% were maintained across the UK regions.

https://www.gov.scot/publications/widening-exemption-energy-intensive-industries-indirect-costs-renewables-obligation-scotland-consultation-response-analysis/

Northern Ireland, whether operating an Exemption scheme or a Compensation scheme into the future should continue to apply similar criteria to maintain parity.

Question 4. Do you agree with the options considered by DfE for continuing to offer relief to EIIs from the indirect costs of the NIRO? Select only one item

Yes

Please state the reasons for your answer

We support the three options chosen as clearly identifying the paths available currently to manage this issue. It would be preferable to have been part of a UK wide Exemption scheme however that path is not now open, and protracted discussions with the European Commission on a new State aid approval scheme for Northern Ireland together with subordinate legislation requirement in the Assembly would take a considerable time alongside other current political uncertainty.

If you do agree, which is your preferred option and why?

Energy Saving Trust would prefer Option 3 as this would minimise disruption for major companies in claiming this relief and place those in eligible sectors on an equal footing with UK-based exemption -receiving counterparts. Funding for the scheme would be sourced from the Northern Ireland Executive (rather than from other bill payers) and could be included within overall energy strategy funding streams.Energy-Strategy-for-Northern-Ireland-path-to-net-zero.pdf

Question 5. For non-exempt businesses, to what extent do you think the estimated increase in electricity bills will affect competitiveness and decisions regarding output, employment, and investment? Please provide evidence and a quantification of the impact.

N/A

Question 6. If the UK Government decides to widen eligibility for EII Relief from renewable support schemes, do you agree that a similar arrangement should be made in relation to any Northern Ireland scheme? Select only one item Yes

Energy Saving Trust supports the principles of parity and a just transition on the path to a low carbon economy. BEIS, having consulted on these issues as recently as 2019 in concert with the Scottish Government Exempting energy intensive industries from the indirect costs of the renewables obligation: response to consultation - gov.scot (www.gov.scot) decided that eligibility and aid intensity thresholds would remain, with the flour milling sector alone being added to the list of those eligible.

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If changes are made by the UK Government to widen eligibility, then further consideration should be given to the levels of support in Northern Ireland.

Question 7. Are there other impacts that DfE has failed to consider when considering this matter and which would have a material effect on the way forward? Select only one item No

(a) What are they and how do you think they will impact?

(b) Please provide evidence to support that view