

BEIS consults on £315m Industrial Energy Transformation Fund

10th April 2019

BEIS has launched an informal consultation titled 'Designing the Industrial Energy Efficiency Fund' (IETF), which was announced in the autumn Budget in 2018.

What is the IETF?

The Fund will support businesses with high energy use, such as energy intensive industries, to transition to a low carbon future. The IETF has a UK-wide budget of £315m over five years to 2024, equating to £63m a year on average.

The objective is to help companies cut their energy bills and carbon emissions through investing in energy efficiency and low-carbon technologies. These objectives are potentially conflicting, so BEIS is seeking to balance the two.

What is IETF likely to offer?

IETF support will provide a proportion of the funding for projects, with the rest match-funded by industry. There is likely to be a competitive bidding process.

The IETF has scope to support projects from the feasibility study stage through to deployment, with the overall end-goal being to deliver projects on sites across the UK. As such, support may be given to the feasibility and front-end engineering design stages of projects as part of a multi-phase programme. This could facilitate a pipeline of projects that could be for example internally financed, attract third party finance or supported through the IETF.

What sectors and technologies is the IETF likely to support?

The sector focus is energy intensive industries. The emphasis is to be on technologies that can provide near-term carbon emission reductions, however the consultation mentions:

- Supporting technologies that are strategically important to long-term emissions reductions such as hydrogen and CCUS;
- Supporting demonstration at scale of particular technologies (e.g. electric arc furnaces);
- Mature deployable technologies, such as heat pumps, biomass steam boilers, biomass, combined heat and power;
- Uptake of low carbon industrial processes, such as low carbon steel or cement production.

What are the timeframes?

Informal consultation: issued 25th March 2019, closing date 31st March 2019.

Summer 2019: Further stakeholder engagement and a market intelligence exercise to gather detailed information on the potential project pipeline to inform scheme design.

Autumn 2019: formal consultation on the detailed scheme design; launch late 2019.

How does the IETF fit alongside other BEIS initiatives?

The IETF will look to complement the recently announced £170m Industrial Clusters Mission by supporting short-term projects across the UK, while the Clusters focus will be longer-term and is focused on specific locations with clusters of industrial facilities. It follows on from the Industrial Heat Recovery Support (IHRS) that opened at the end of last year. See the table on the next page for a summary of BEIS's current Clean Growth Strategy actions related to industry.

What can you be doing? Experience from other similar programmes is that IETF is likely to favour projects that have already had pre-feasibility assessments and can get 'first mover advantage' in the competitive selection process. The application window can be short relative to typical project development timescales. Whilst the programme is over 5 years, similar schemes have seen a frontloading of budget.

To maximise your chances of securing IETF support we recommend:

- Reviewing your ESOS audits for possible projects, or use your mandatory ESOS audits to undertake pre-feasibility studies to provide the information required to make a strong application.
- Seek internal support / approval for the project(s) before the programme launch to allow you to move quickly once the competition opens.
- Engage with the BEIS via the consultations and their project pipeline exercise, to help shape the programme to fit your projects and to fully understand the selection criteria.

How can Verco help?

Verco has a wealth of experience in industrial energy efficiency and low carbon technologies. To stay informed on the IETF and to discuss how Verco could support you in accessing the scheme please contact: **Andrew Todd**, Head of Energy and Resource Management, Verco
Andrew.todd@vercoglobal.com +44 (0)7980 505 585

Further information

Links:

IETF Information Consultation document: <https://www.gov.uk/government/consultations/designing-the-industrial-energy-transformation-fund>

Industrial Cluster mission:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764468/clean-growth-grand-challenge-industrial-clusters-mission-infographic.PDF

Table 1: Summary of BEIS Clean Growth Plan actions related to industry

Action to date and Forward Look								
	2017	Summer 2018	Autumn 2018	Winter 2018	Spring 2019	Summer 2019	Autumn 2019	Winter 2019
Announcements	<ul style="list-style-type: none"> Published Clean Growth Strategy Published Industrial Decarbonisation and Energy Efficiency Action Plans 	<ul style="list-style-type: none"> Published consultation on helping businesses to improve the way they use energy 		<ul style="list-style-type: none"> New Industrial Strategy Clean Growth Mission launched 	<ul style="list-style-type: none"> Call for Evidence on introducing a new Business Energy Efficiency Scheme to help smaller businesses reduce their energy bills and carbon emissions. Announced consultation on accelerating the decarbonisation of our gas supplies 	<ul style="list-style-type: none"> Publish Energy White Paper 		
Heat			<ul style="list-style-type: none"> Industrial Heat Recovery Support (IHRS) programme opens 	<ul style="list-style-type: none"> Published "Heat decarbonisation: overview of current evidence base" 				
£170m ISCF Industrial Decarbonisation Challenge				<ul style="list-style-type: none"> ISCF decarbonisation challenge announced 		<ul style="list-style-type: none"> ISCF decarbonisation challenge opens 		
£315m Industrial Energy Transformation Fund			<ul style="list-style-type: none"> IETF Fund announced 	<ul style="list-style-type: none"> Informal consultation 	<ul style="list-style-type: none"> Market intelligence exercise 	<ul style="list-style-type: none"> Consultation opens 		
Carbon Capture Utilisation and Storage				<ul style="list-style-type: none"> Published "The UK carbon capture, usage and storage (CCUS) deployment pathway: an action plan" 		<ul style="list-style-type: none"> Publish CCUS Investment Framework Consultation 		