

Are you sure you don't qualify?

Securing the financial discount of EII



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How Familiar are you with the EII Scheme?

- Never heard of it!
- Know about it but think I'm not eligible
- Eligible but don't meet the 20% intensity test
- Yes and I'm already claiming

What is the Energy Intensive Industries (EII) scheme?

An exemption/compensation on 3 of your green taxes

- The scheme offers 85% exemption from both your Renewables Obligation (RO), Contracts for Difference (CfD) and Feed in Tariff (FiT) payments.
- This year the exemption will increase to 100% and Capacity Market (CM) will be added.
- Network charges will be 60% exempt from July 2025

Why was it introduced?

- The scheme was introduced to increase the competitiveness of UK manufacturing businesses against their global counterparts.

How does the scheme work?

- There are two elements to every EII application:
 - You must manufacture an eligible product – as set out in the guidance
 - Your business must pass the 20% eligibility test, where your electricity costs must be 20% of your GVA (EBITDA + Staff Costs)



Illustrative Electricity Cost Base

Cost breakdown

GREEN TAXES:

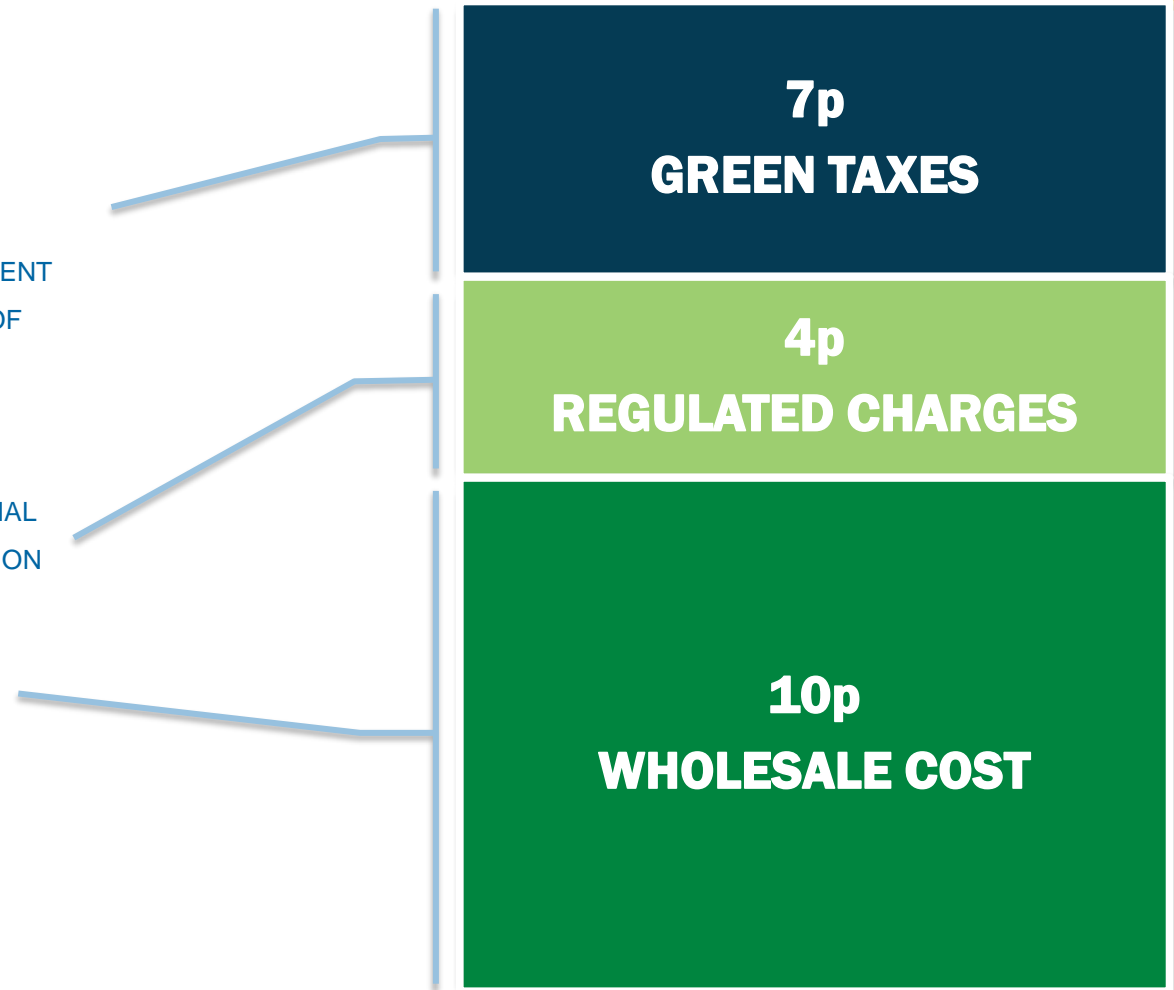
COST OF THE RENEWABLE AGENDA AND PAID VIA DIFFERENT GOVERNMENT DEPARTMENTS TO RENEWABLE GENERATORS. THERE ARE A NUMBER OF SCHEMES IN OPERATION.

REGULATED CHARGES:

COST OF GETTING THE ELECTRICITY TO EACH SITE AND PAID TO NATIONAL GRID (KNOWN AS TRANSMISSION CHARGES) AND THE LOCAL DISTRIBUTION NETWORK OPERATOR (KNOWN AS DISTRIBUTION CHARGES)

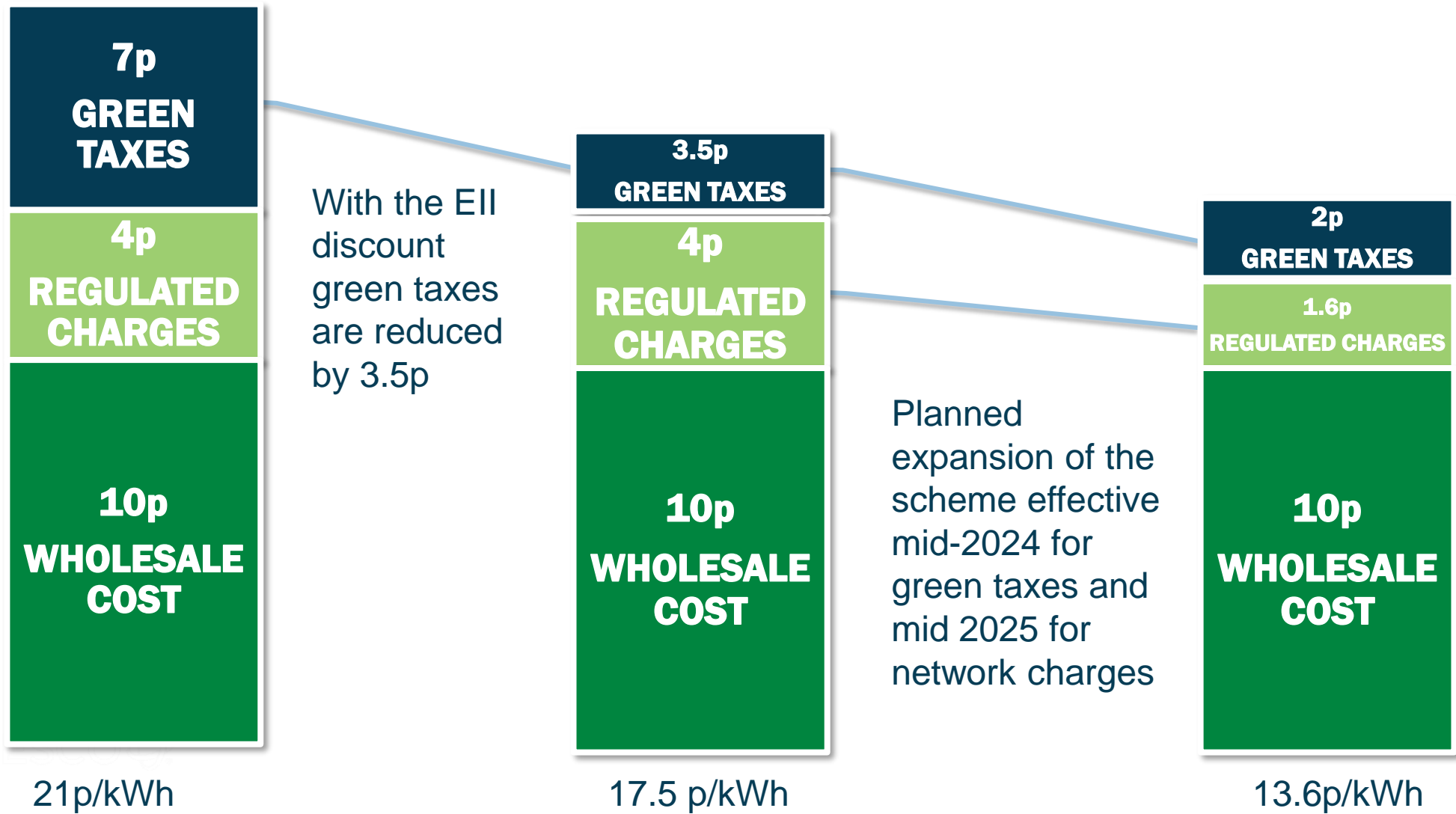
WHOLESALE COST:

COST OF THE WHOLESALE ELECTRICITY AS BOUGHT ON THE TRADED MARKET FOR THE PERIOD OF THE SUPPLY CONTRACT



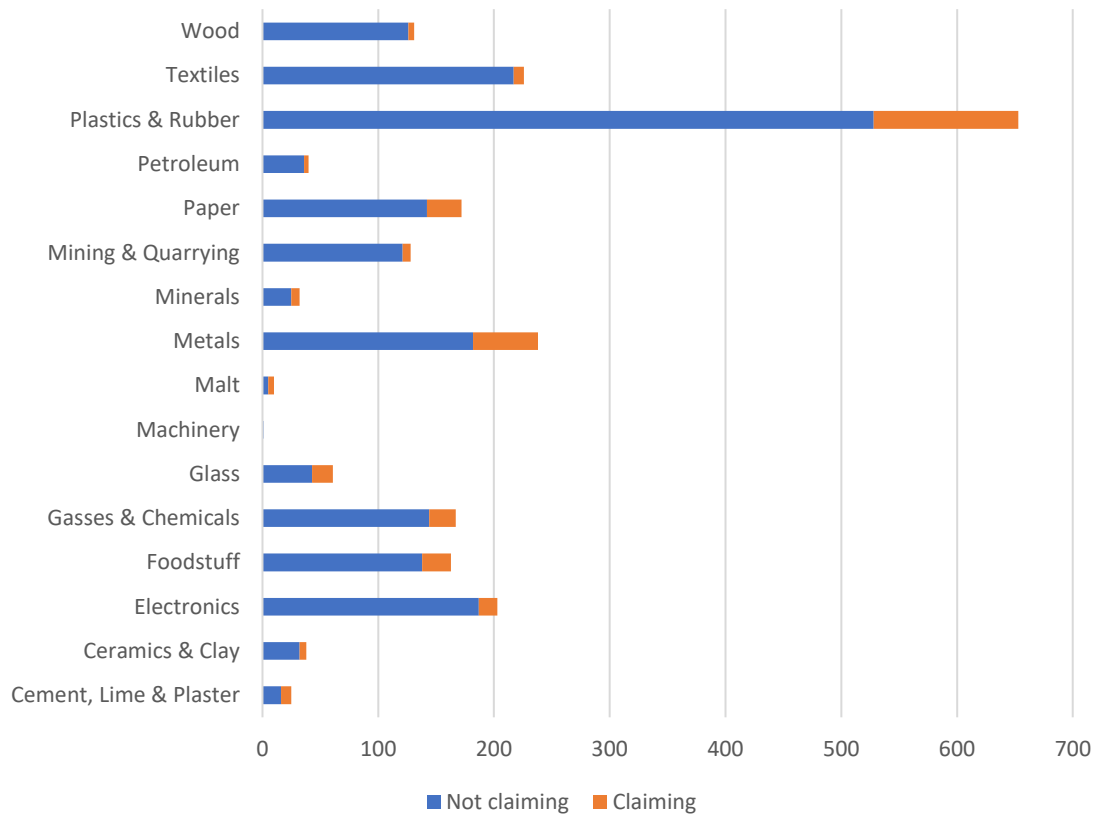
Electricity Cost Base

Cost breakdown



Cost Competitiveness

EII claimants by sector



Of c. 2,500 large businesses in eligible sectors, only 332 are claiming EII.

These companies are achieving a 20% reduction in their energy costs compared to their closest competitors.

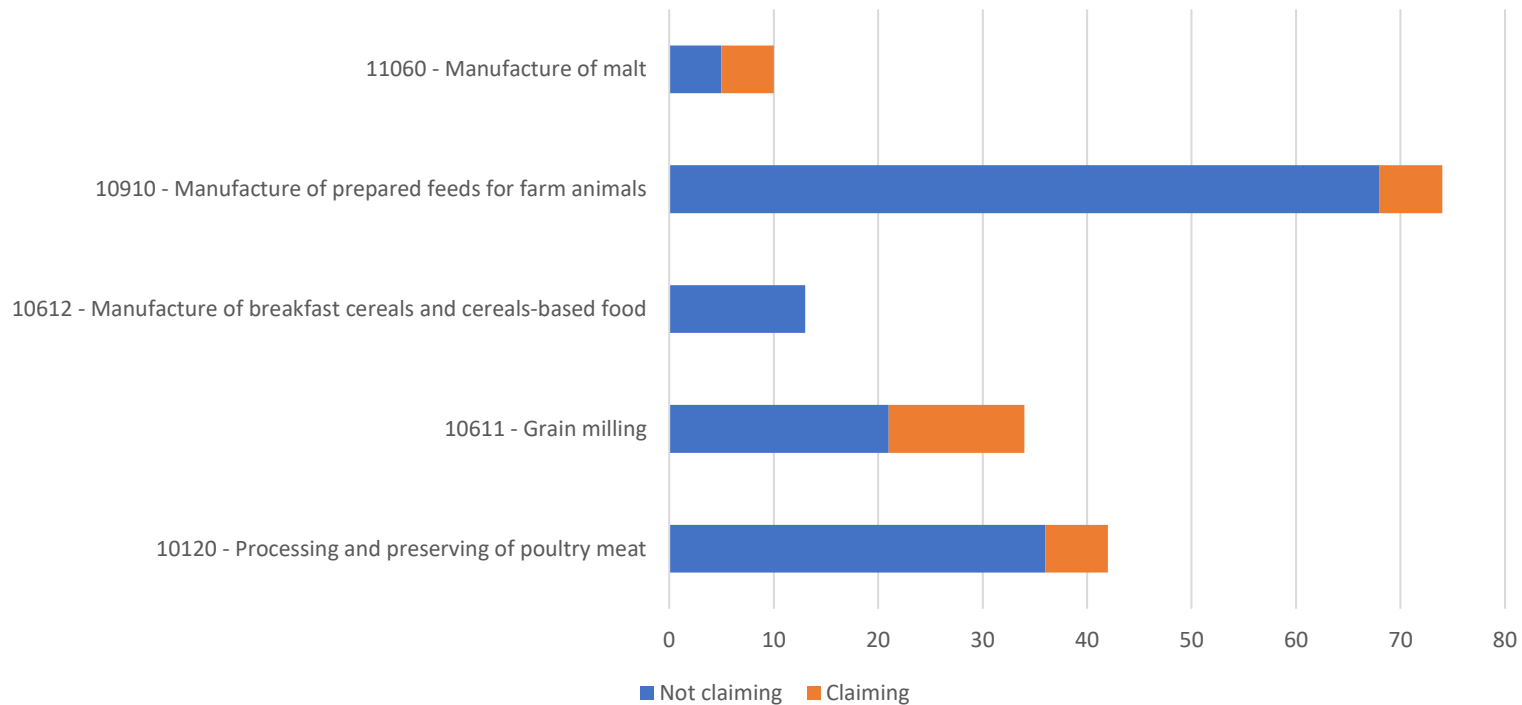
- How much more would you need to sell to achieve the same financial benefit?



Food and Drink sector in more detail

EII claimants by NACE code

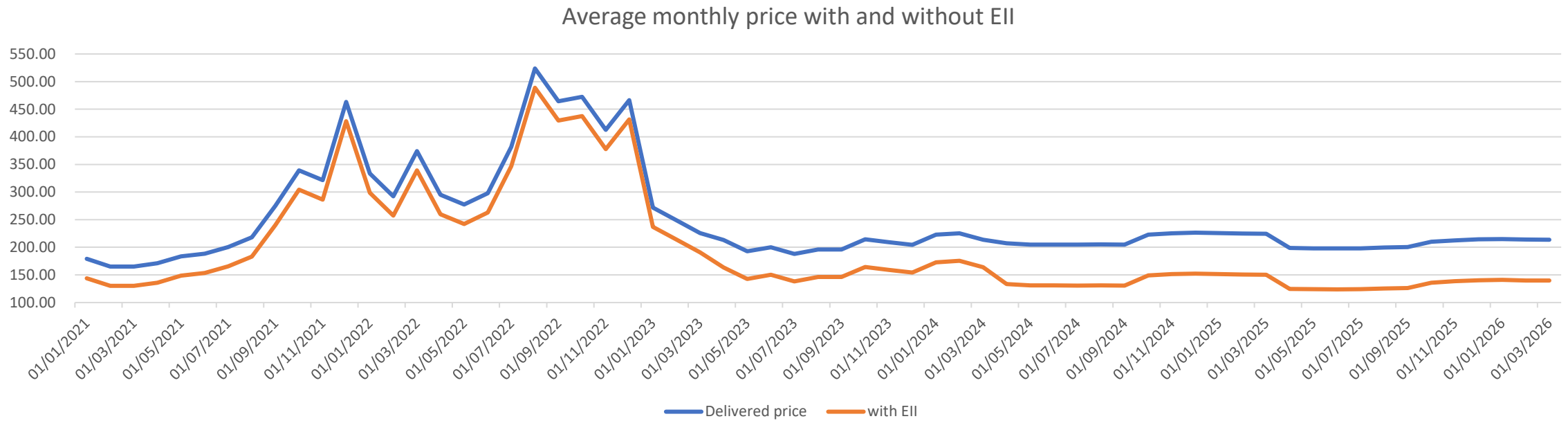
Total eligible companies broken down by claiming/not claiming



Focusing in on the eligible food sectors- of approximately 175 large companies in eligible sectors, only 30 are claiming this discount. A further 250 medium sized companies also in eligible sectors.

Wholesale Volatility

- Saving 3.5p/kWh on overall energy costs certainly softens the blow of spikes in wholesale prices



Reducing Demand & Decarbonising

- Cost savings can be directed internally in to efficiency and decarbonisation projects
- Average manufacturing business in the UK uses about 3,000,000 kWh
- EII savings on that energy in 2024 will be about £120,000.

- Putting it another way
 - If your budget for next year is £1m for electricity, what would you do with the £200,000 underspend this scheme would give you?

Eligible Sectors

NACE code	Description	NACE code	Description	NACE code	Description
510	Mining of hard coal	1722	Manufacture of household and sanitary goods and of toilet requisites	2351	Manufacture of cement
811	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate	1724	Manufacture of wallpaper	2352	Manufacture of lime and plaster
812	Operation of gravel and sand pits; mining of clays and kaolin	1920	Manufacture of refined petroleum products	2362	Manufacture of plaster products for construction purposes
899	Other mining and quarrying n.e.c.	2011	Manufacture of industrial gases	2365	Manufacture of fibre cement
1012	Processing and preserving of poultry meat	2013	Manufacture of other inorganic basic chemicals	2399	Manufacture of other non-metallic mineral products n.e.c.
1061	Manufacture of grain mill products	2014	Manufacture of other organic basic chemicals	2410	Manufacture of basic iron and steel and of ferro-alloys
1091	Manufacture of prepared feeds for farm animals	2015	Manufacture of fertilisers and nitrogen compounds	2420	Manufacture of tubes, pipes, hollow profiles and related fittings, of steel
1106	Manufacture of malt	2016	Manufacture of plastics in primary forms	2431	Cold drawing of bars
1310	Preparation and spinning of textile fibres	2017	Manufacture of synthetic rubber in primary forms	2432	Cold rolling of narrow strip
1320	Weaving of textiles	2060	Manufacture of man-made fibres	2434	Cold drawing of wire
1391	Manufacture of knitted and crocheted fabrics	2211	Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres	2442	Aluminium production
1393	Manufacture of carpets and rugs	2219	Manufacture of other rubber products	2443	Lead, zinc and tin production
1395	Manufacture of non-woven and articles made from non-woven, except apparel	2221	Manufacture of plastic plates, sheets, tubes and profiles	2444	Copper production
1396	Manufacture of other technical and industrial textiles	2222	Manufacture of plastic packing goods	2445	Other non-ferrous metal production
1399	Manufacture of other textiles n.e.c.	2229	Manufacture of other plastic products	2451	Casting of iron
1419	Manufacture of other wearing apparel and accessories	2311	Manufacture of flat glass	2452	Casting of steel
1431	Manufacture of knitted and crocheted hosiery	2313	Manufacture of hollow glass	2453	Casting of light metals
1439	Manufacture of other knitted and crocheted apparel	2314	Manufacture of glass fibres	2454	Casting of other non-ferrous metals
1511	Tanning and dressing of leather; dressing and dyeing of fur	2319	Manufacture and processing of other glass, including technical glassware	2592	Manufacture of light metal packaging
1610	Sawmilling and planing of wood	2320	Manufacture of refractory products	2611	Manufacture of electronic components
1621	Manufacture of veneer sheets and wood-based panels	2331	Manufacture of ceramic tiles and flags	2720	Manufacture of batteries and accumulators
1629	Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials	2332	Manufacture of bricks, tiles and construction products, in baked clay	2732	Manufacture of other electronic and electric wires and cables
1712	Manufacture of paper and paperboard	2344	Manufacture of other technical ceramic products	2891	Manufacture of machinery for metallurgy
1721	Manufacture of corrugated paper and paperboard and of containers of paper and paperboard	2349	Manufacture of other ceramic products		

Eligible Food Activities

Processing and Preserving of Poultry meat:

- Fresh, chilled or frozen poultry (whole or parts, including offal and fats)
- Includes breakdown of carcasses process as well as chilling, freezing and storage.

Manufacture of grain mill products

- Milled and rolled grains, meal, bran, and flours from oats, barley, rice, corn etc, includes legumes and tubers
- Muesli cereals and other cereals from swelled or roasted grains
- Mixes and doughs for the preparation of bread, cakes, pastry, biscuits etc

Prepared feeds for farm animals

- Premixtures and preparations for farm animals, includes alfalfa meal and pellets

Manufacture of Malt

- Roasted and Not-Roasted malts

Food-Adjacent Eligible Sectors

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Packaging your products – case study

- A soft drink manufacturer bottles their product on site in plastic bottles.
- The packaging materials are delivered as preforms and are blown out to full-size and filled on site.
- On examination of the energy use in the manufacturing and packaging processes, over 65% of the electricity used is for making the plastic bottles
- The company and total energy use passed the 20% intensity test and the EII discount was awarded to the eligible portion of their energy use.
- 65% of an 85% discount gives a 55% discount on the costs of RO, FiT and CfD – currently worth about 2.2 p/kWh, increasing to 4.5p/kWh as the discount expands.

Application process

INVOICES

Invoices for 3 financial years for all relevant sites and all MPANs. These will be analysed, charted and QA'd to ensure that correct data is used.

EBITDA & STAFF COSTS

These will be taken from the statutory accounts available on Companies House

ON-SITE GENERATION

If there is any on-site generation, this will need to be documented, and provided per MWh as part of the application

SUBMETERING

If there are any other tenants sharing the company's meters, these will need to be provided and documented per MWh per month

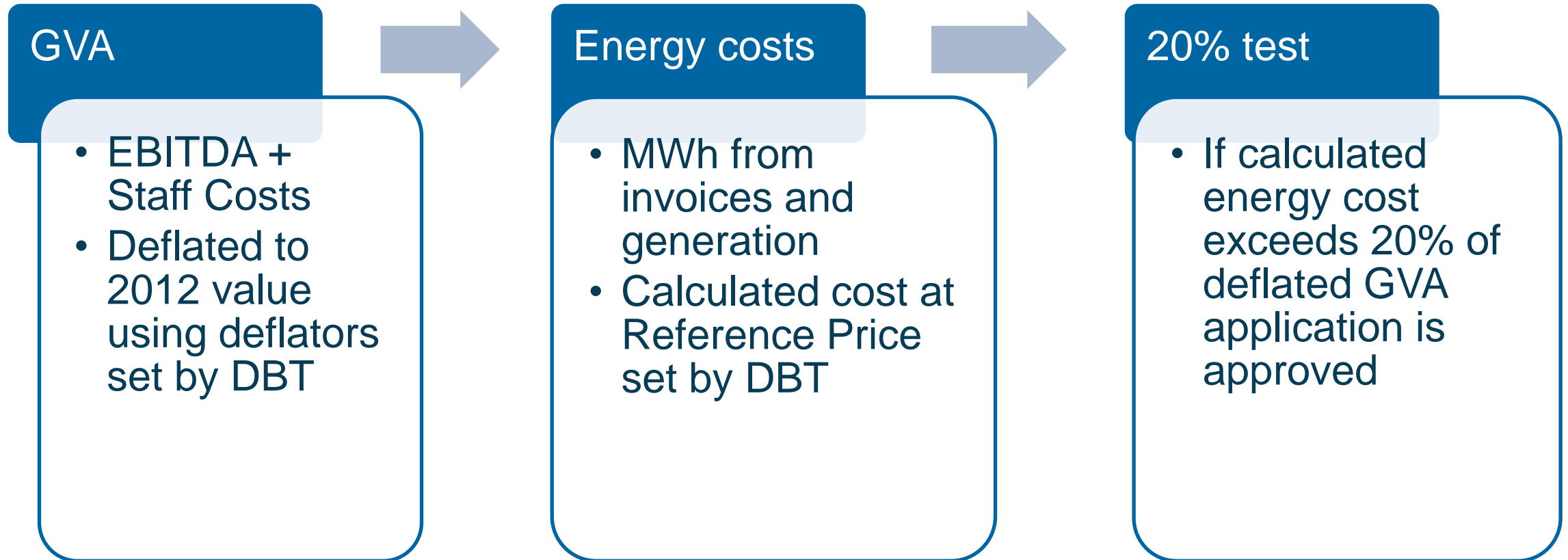
OUTPUT PER MWh

If ineligible product is also manufactured on any sites, DBT will request that production information for eligible and ineligible products to quantify the amount of eligible consumption.



**APPLICATION PROCESS
AND ANALYSIS BEGINS**

Analysis for eligibility



Eligible activity but don't meet the 20% intensity test

This is a tricky one! But all is not lost

- Look across the business and all activities, may be able to use company structure to your advantage
- Identify and isolate areas of the business to best fit the scheme
- Look at management accounts for future eligibility
- Ability to exclude covid years if not to your benefit
- Our deep understanding of the scheme helps us to predict where reference prices and deflators will land and the impact on future applications
- This is an area where we can add the greatest value – in our detailed experience in the scheme and across sectors we have developed some unique methodologies

Companies already claiming

- We have found many companies have entered the scheme and then not reviewed their status in the following years
 - Are all areas of the business claiming that could?
 - Is all relevant energy captured under the qualifying NACE code/s?
 - Impacts of acquisitions of sites, subsidiary companies and re-structures may have been overlooked
 - Ongoing reporting at quarterly and annual intervals to maintain certification
 - 5-year re-qualification – check in advance that you will still qualify

Ameresco Services

- Pre-application eligibility checks
- Individualised advice to achieve 20% specific to your company structure and operations
- Data-gathering and application management
- Validation of supplier invoicing once certified in scheme
- Ongoing compliance reporting
- “health check” for already qualified entities
- Re-qualification after 5-years of certification
- Fixed fee or share of savings on at-risk basis

Any Questions



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Thank You

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