

About Us

Fuels Industry UK is a trade association whose members refine and supply over 85% of the UK's transport fuel and are essential to delivering both today's energy security and tomorrow's transition to lower-carbon fuels. Our members own and operate the UK's four surviving refineries and fuel supply infrastructure, employing thousands directly and supporting hundreds of thousands more in the wider supply chain.

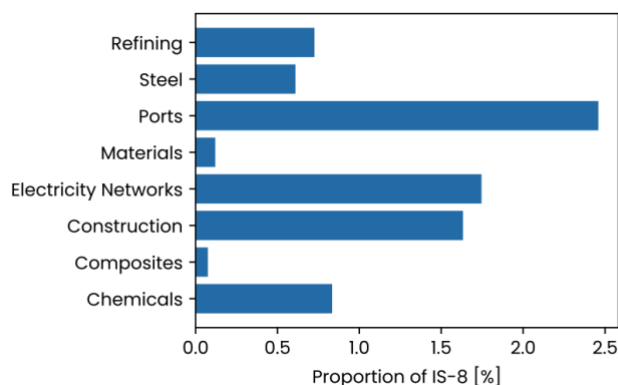
CONSULTATION RESPONSE

1. What do you expect the impact of the scheme to be on stakeholders in the British energy system (for example businesses, suppliers and delivery partners)? Please provide supporting evidence where possible.

a. Negative

Fuels Industry UK and its member companies welcome the intention behind the BICS scheme, however refineries are not eligible for the scheme. But more significant than the exclusion of refineries from BICS, is the reason for it. The Industrial Strategy does not recognise either the manufacturing of fuels nor the products themselves as central to the UK economy, the eight growth sectors and the foundational sectors that support them. This sends a strong market signal that deters multi-billion-pound investment in the UK in favour of other jurisdictions abroad.

The economy cannot function if staff cannot get to work and freight cannot travel by road, ship or air. As noted in the foreword by the Secretary of State, the intention is to develop a "scheme that reinforces the strength of our manufacturing base". The graphic below shows that refining underpins the UK economy and contributes more to the IS-8 sectors than other sectors considered "Foundational" including steel, materials and composites.



Source: Office for National Statistics (ONS), released 20 February 2025, ONS website, dataset, [UK input-output analytical tables: industry by industry](#): "Sheet IOT"

We are aware that DBT is inviting businesses to BICS engagement events that state that eligibility for the scheme is still under consideration and has not yet been confirmed. Therefore, the sector must be included in the BICS scheme, as well as any other programmes linked to the Industrial Strategy.

The revision of the Standard Industrial Classification (SIC) codes in Annex A as part of this consultation is critical. Refined products such as petrol, diesel, jet, petroleum coke, bitumen, lubricants, and/or other refined products must be recognised as critical inputs into the IS-8 and foundational sectors.

Lowering costs for refineries would be extremely helpful if the sector becomes eligible for inclusion in the scheme. The UK suffers a competitive disadvantage against competitors due to the cost of electricity. By multiplying usage data with electricity costs for each jurisdiction, we estimate that the UK refining sector's approximate electricity cost to be £583m in 2024 but would reduce to £329m under EU rates or just £214m in the US¹.

From the current proposals, it is not clear how BICS will be paid for and whether costs will be applied to businesses that are not eligible. Therefore, the refining sector will suffer twice – both by missing the benefit and by incurring a new cost.

Finally, we note that while BICS is intended to mitigate the UK's systemic problem with high electricity prices, it does not address the underlying reasons for high prices. The scheme should form part of a wider concerted effort by Government to reduce the discretionary policy costs that make industrial energy prices so high in the UK.

¹Sources: UK refinery demand and UK pricing based on DESNZ data, EU costs based on Eurostat and US costs based on U.S. Energy Information Administration.

- 2. Does your business carry out activities and/or manufacture products within the manufacturing frontier industries in IS-8 sectors and/or foundational manufacturing industries listed in Annex A? If yes, please specify which industry and whether your activities include the manufacture of goods within that industry.**

No

- 3. If your SIC-4 was not captured in a manufacturing frontier or foundational industry (as set out in Annex A), and you believe you should be considered as a part of this, then please submit:**

a. Your Companies House number

Member companies: bp, ExxonMobil, Shell, Valero, Phillips 66 EET Fuels

b. Manufacturing frontier industry or manufacturing foundational industry you are in
Fuels supply and refining sector

c. The SIC-4 code under which your business is registered in Companies House data
19.20

d. Relevant HS6 codes for products you manufacture

| Commodity Code (CN) | Description | Examples of industrial and consumer usage |
|--------------------------|---|--|
| 22-7-20 | Ethanol | Blending with gasoline and other uses |
| 27-10-1211 | Light oils – for specific purpose | Chemical / crackers |
| 27-10-1215 | Light oils – for transformation | Chemical / crackers |
| 27-10-1221 to 27-10-1225 | Special spirits, ethyl alcohol, n-hexane mixtures | Chemicals / Ethanol industry |
| 27-10-1231 to 27-10-1290 | Light oils – Gasolines and components | Road and light machinery |
| 27-10-1911 to 27-10-1930 | Medium oils – Jet & kerosene | Aviation fuels |
| 27-10-1931 to 27-10-1949 | Gas oils – All diesel types <u>without</u> FAME biodiesel, can include HVO/RD | Road, heavy machinery and shipping |
| 27-10-1950 to 27-10-1969 | Fuel oils | Carbon black and shipping |
| 27-10-1970 to 27-10-1999 | Lubricating oils | Engines and machinery |
| 27-10-2011 to 27-10-2019 | Gas oils – All diesel types <u>with</u> FAME biodiesel, can include HVO/RD | Road, heavy machinery and shipping |
| 27-10-2032 to 27-10-2038 | Fuel oils <u>with</u> FAME biodiesel | Road, heavy machinery and shipping |
| 27-10-2039+ | Other oils and wastes | Other |
| 27-11-12 | Propane | Chemicals & upstream, home heating, BBQs, transport (eg forklifts) |
| 27-11-13 | Butanes | Chemicals & upstream, home heating, BBQs, transport (eg forklifts) |
| 27-11-15 | Ethylene, Propylene, Butylene, Butadiene | Chemicals |
| 27-12-13 | Petroleum cokes | Anodes, batteries, smelting |
| 27-12-14 | Bitumen and asphalts | Road construction |
| 27-12-15 | Bituminous mixtures | Road construction and preservatives |

| | | |
|-------|--|--|
| 29-02 | Cyclic Hydrocarbons (BTX etc) | Chemicals |
| 29-09 | Ethers (MTBE/ETBE), ether-alcohols etc | Chemicals and gasoline blending |
| 38-26 | FAME | Importers can use this given it allows blends <20% FAME. B30 (30% max) FAME is also an option for captive bus and truck fleets |

4. Do you agree with the proposal to use SIC and HS codes to identify products and manufacturing activities within eligible Industrial Strategy industries? Please provide reasons for your response.

c. Neither agree nor disagree

We believe that using codes can be problematic for several reasons: partly because companies and products do not line up across the different industrial sectors, both products and companies can fall under multiple codes and actual and reported SIC codes can become outdated. Using them for strategic or analytical purposes can lead to misinterpretation.

More specifically, companies with installations included in the UK Emissions Trading System under NACE Code 19.20 are also involved in other activities classified under other NACE Codes. As a result, a site covered by that code may not make the primary products of the 19.20 sectors.

5. Are you aware of other approaches which would be more suitable for identifying manufacturing activity in Industrial Strategy sectors, particularly in emerging technologies? Please provide details.

c. Do not know

6. If an electricity intensity test is applied at the business level, which definition of electricity intensity is more suitable for BICS? Please provide reasons for your response.

c. Other (Please specify)

The electricity intensity test should not be applied at a business level. Instead, the principle that, if one refinery meets the criteria, then all UK refineries should be

considered eligible should apply. This principle aligns with DBT guidance for applicants of the EII Indirect Cost Compensation Scheme.

Such an approach would recognise the flaws of the electricity intensity test methodology as businesses that manufacture eligible products may fail the 5% test by virtue of their structure (e.g.: the other products they make).

If a company can demonstrate to the satisfaction of the Secretary of State that another business which manufactures the same product in the UK has passed the business level test, then that company should be eligible. As per existing DBT guidance for the Indirect Cost Compensation Scheme.

7. Do you agree with the proposal to pro-rate exemptions based on the proportion of firm activity which relates to eligible industries? Please provide reasons for your response.

c. Neither agree nor disagree

8. Which approach to pro-rating exemptions is more appropriate? Please provide reasons for your response.

d. Do not know

9. If exemptions are not to be pro-rated, what would be the most suitable way to account for businesses producing both eligible and ineligible products (such as introducing a minimum threshold for eligible activity)?

We believe that a minimum threshold approach would be the fairest approach.

10. Do you think the scheme should include additional ongoing cost controls (alongside the level of the sector- and/or business-level electricity intensity test)? Please provide reasons for your response.

b. No

Companies need the certainty of knowing what costs they are due to pay and which not for business planning purposes. We believe that, if one company in the sector is in scope for the scheme, then all companies in the sector should receive all compensations and exemptions available.

11. What do you expect the impact of additional ongoing cost control measures to be? In your response, it would be helpful to consider their effectiveness in managing potential scheme cost impacts on non-eligible businesses and other electricity

users, as well as impact on business/investor confidence and any financial or operational implications for businesses or suppliers.

No response

- 12. Do you agree that the principle of linking eligibility for the scheme or level of exemption to investments in energy efficiency improvements or 'Flexibility Ready' smart system retrofits should be considered as part of the 2030 scheme review? Please provide reasons for your response, specifying whether you are referring to energy efficiency or flexibility and the opportunities and/or challenges we would need to consider. These may include potential benefits this could deliver for the system and/or businesses, impact on business/investor confidence and any technical, financial or operational implications**

b. Disagree

We disagree with this framing of the potential benefits. It is our view that this scheme, as with all policy decisions, should primarily focus on avoiding further refinery closures in the UK. The closures of Lindsey and Grangemouth sites in 2025 left the UK with just four operating refineries (down from nine in 2000) and represented a loss of around 20% of UK capacity.

More specifically, the focus on flexibility does not reflect how our sector operates. Refineries function continuously because their complex processes require uninterrupted operation to maintain efficiency, safety, and economic viability. Therefore, requirements for flexible demand are not suitable.

- 13. Businesses could be required to evidence the proportion of activity, or manufactured outputs, that relate to eligible SIC and HS codes within the Industrial Strategy frontier industries and foundational industries. What evidence would be easiest for your business to produce to show the proportion of its output which relates to eligible activities?**

We believe that the best data set for this evidence should be the Digest of United Kingdom Energy Statistics (DUKES) – the annual energy statistics publication produced by the Department for Energy Security and Net Zero. Using departmental data will ensure accuracy and consistency, while avoiding an administrative burden for individual businesses.

- 14. Are you aware of any barriers (for example, organisational structure or accounting arrangements) which would make proving eligibility for an exemption challenging at a meter level? Please provide reasons for your response.**

a. Yes

The electricity supply arrangements for UK refineries are complex, with some generating their own electricity using either gas-fired CHP or older power generation plants using steam turbines, and others supplied from adjacent power generation plants over private networks. Electricity generated by the refineries is often exported to

an electricity supplier via grid sub stations and then re-imported to provide supply resilience. The current design of the scheme, particularly the verification system, is based on industrial users that are simply customers of licensed electricity supplier. But this creates a barrier for those with bespoke supply arrangements or self-generation setups where usage is more complex and measurement is more difficult.

15. Following an exemption certificate being granted to an eligible business, how would a supplier implement the exemptions?

No response

16. What information would a supplier require to implement exemptions onto eligible businesses' electricity bills in a cost-effective manner? When would this information be required by? Please include any concerns or risks related to this.

No response