

# Energy Intensive Users Group

British Cement Association  
British Glass Manufacturers Confederation  
Gypsum Products Development Association  
Major Energy Users Council  
UK Steel Association

British Ceramic Confederation  
Chemical Industries Association  
Kaolin and Ball Clay Association  
The Paper Federation of Great Britain

10 September 2001

## PIU Energy Review – Initial Response from EIUG

Further to our discussions at our meeting on 5<sup>th</sup> September, our main concerns are set out in this initial response. We will be supplementing this with a more detailed submission in due course.

EIUG is very concerned about the impact that environmental and social policies may have on the ability of the UK's energy-intensive industries to compete in global markets. Our primary concern is that **access to competitive energy supplies should be maintained as an equal objective of the Review**, not subordinate to environmental and social policy.

EIUG believes that **the current approach to environmental taxation is fundamentally flawed**. The Climate Change Levy, for example, needlessly damages energy-intensive industries (which already have powerful commercial incentives to use energy efficiently) whilst providing no such incentives to the domestic sector. Worse still, it has failed to deliver any significant environmental benefits that could not more sensibly have been achieved by negotiation without recourse to taxation. Other taxes, such as the proposed Renewables Obligation, will also have a disproportionate impact on costs to energy-intensive industries. Industry will naturally do its bit as far as energy conservation is concerned, but cannot be expected to shoulder a disproportionate burden (greater strides have already been made in industrial energy efficiency than in the domestic or transport sectors).

In the global markets in which our industries compete, it makes no sense from an economic or environmental viewpoint to increase the burden on industry to levels above those of our principal competitors. We are also sceptical about claims of a long term first-mover advantage – the evidence so far from the UK suggests a manifest short-term disadvantage, which will become a long-term disadvantage overall if the manufacturing base continues to erode at current rates.

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EIUG supports **choice in determining the level of security of supply**, arguing that industrial consumers should be free to put a price on the level of security they are willing to support. In this respect, industrial needs may differ from those in the commercial or domestic sectors where collective decisions may be required. It is also important that today's industry is not unduly taxed to pay for (possibly unnecessary) levels of security in the future. We agree that security is a function of the whole supply chain (production, generation, transportation and distribution) so the capacity and integrity of the infrastructure of delivery is every bit as important as the issues surrounding upstream supplies.

We look forward to providing you with further information on these issues, particularly:

- energy use and costs for the sectors we represent
- the impact of environmental taxation on our costs
- the significance of our industries to the UK economy
- the global nature of the markets in which we trade