

Business and Trade Committee

Oral evidence: Industrial Strategy, HC 727

Tuesday 28 April 2026

Ordered by the House of Commons to be published on 28 April 2026.

[Watch the meeting](#)

Members present: Liam Byrne (Chair); Dan Aldridge; Antonia Bance; Chris Bloore; John Cooper; Sarah Edwards; Alison Griffiths; Leigh Ingham; Justin Madders.

Questions 770 - 810

Witnesses

- Arjan Geveke, Director, Energy Intensive Users Group;
- Rick Jennings, Group Energy Manager, Tata Chemicals Europe;
- Adam Berman, Director of Policy and Advocacy, Energy UK;
- David Whitehouse, Chief Executive, Offshore Energies UK.

Examination of witnesses

Witnesses: Arjan Geveke, Rick Jennings, Adam Berman and David Whitehouse.

Q770 **Chair:** Welcome to today's session of the Business and Trade Committee and our industrial strategy spotlight session, where we are focusing on a couple of issues of concern and some sectors of concern. Absolutely top of our list of worries as a Committee is energy costs, so the purpose of this panel is to help us understand what is going on and what the Government need to do about it.

Starting with you, Arjan, Nissan tells us that its plants in the UK face the highest power costs in the world and OpenAI has just cancelled a data centre in the UK for the same reason. It seems like our high energy costs are putting factories of the past under pressure and industries of the future are turning away. Could you give us a sense, from your point of view, of how high energy costs now rank as an issue of concern for your members?

Arjan Geveke: I am Arjan Geveke, director of the Energy Intensive Users Group. I represent the most energy-intensive manufacturing sectors, even more energy-intensive than data centres or Nissan, which means they are also more exposed to high electricity and gas prices. Because they are so energy-intensive, electricity and gas cost is one of the highest input factors for their manufacturing process and therefore, for most of them, ranks the highest of their overall concerns.

Q771 **Chair:** Is that concern going up, or is it just high and stable? What are the dynamics of that?

Arjan Geveke: It fluctuates with energy prices. Currently, with the situation in the middle east, it is high up the agenda again, but that is hopefully a temporary issue. Over the past decade or more, energy prices have been structurally higher in the UK than elsewhere in Europe as well as the middle east and the US. It has been an increasing issue for energy-intensive industries, to the extent of investment forgone and factories closing. It is now leading up to the point where, particularly in the chemical and ceramic sectors, you start to see closures due to energy prices.

Q772 **Chair:** We have more and more factories closing down because of high energy costs now. Will the pace accelerate given the Iran price shock?

Arjan Geveke: It depends how long the price shock lasts. Hopefully, it is temporary. That should not detract from the structural issues where energy prices, particularly electricity prices, in the UK are higher compared with elsewhere in Europe.

Q773 **Chair:** The UK is becoming a less competitive environment because our energy costs are so high.

Arjan Geveke: Yes.



HOUSE OF COMMONS

Q774 **Chair:** Adam, how much worse are energy costs in the UK compared with our peers around the world?

Adam Berman: It is probably worth diving into the two structural factors behind why UK energy prices are high.

Q775 **Chair:** Before you do, just give us a sense about levels though. Comparing energy costs here in the UK with Europe and other places we compete with, how much higher are they here?

Adam Berman: They are significantly higher than some markets, such as the US; even with reasonable efforts to lower our energy bills, it is probably not plausible for us to get anywhere close to prices there. We are nearly two-thirds above the median of the International Energy Agency countries and highest among the G7. We have very high energy bills and it is worth putting into context why.

Q776 **Chair:** We are going to get into that, Adam, I promise, but we are going to get the facts on the table first. Given the Iran price shock, have energy costs in our country gone up more than elsewhere?

Adam Berman: They have not gone up more than elsewhere. None the less, we rely on international markets, in which we have relatively little agency in terms of price setting, particularly around oil and gas. We have felt the effects of that and will continue to feel them for some time.

Q777 **Chair:** They are already two-thirds higher than our peers and they have just gone up again.

Adam Berman: Yes.

Q778 **Justin Madders:** Some of the sectors that have had shutdowns and mothballing closures in recent times are chemicals, packaging, food, glass, automotive, ceramics, bricks, steel and many others. Is this a problem across everything in manufacturing? They have all cited, to some extent, energy costs as a reason for a downturn in activity. Would you say that there are any sectors that do not have this issue?

Arjan Geveke: I need to have a think about that. Even my colleagues in Make UK, representing other manufacturing, would say the same: that energy costs are high up on the policy agenda for their members as well. It is across the board, particularly on the manufacturing side. In certain services industries, it is probably less. They will still say the same—that costs are high—but there is less impact because they are less energy-intensive.

Q779 **Justin Madders:** The Chair began to ask you about the impact on energy costs from the middle east conflict. Do you have a sense that the Government have either a short-term or a long-term plan to deal with the potential price shocks from that?

Arjan Geveke: The short answer is no. I do not think that they have quite learned their lesson from the previous price shock, when Russia invaded Ukraine. We have had meetings with both Peter Kyle and Ed



HOUSE OF COMMONS

Miliband, as well as Ofgem, to discuss what is happening and made suggestions for what they should do. Our main point was to prepare.

This does not apply to all energy-intensive industries, but currently most energy-intensive industries are reasonably well hedged. That means that they are not directly impacted by the energy price increases on the wholesale markets, but they will be confronted by those increases over time.

Other businesses that are engaged with and knowledgeable about the energy market have probably hedged themselves better, so they are currently avoiding increases in the energy price. I have some sympathy for small businesses that cannot do that. They will see a particularly significant increase—they probably did on 1 April this year.

Q780 Justin Madders: You are having the same conversations as you had when Russia invaded Ukraine, essentially. Are you getting the same responses?

Arjan Geveke: That was a mad scramble in Government and they went for the energy bill reduction scheme and energy bill discount scheme. We are not there now. Then, energy prices peaked massively; now, there is an increase, but not of the same magnitude. We are arguing to Government, "You need to prepare now and communicate to us what you are doing to prepare." All our information is going to Government, but nothing is really coming out of it at the moment.

Q781 Chair: Rick, what is going on at your business?

Rick Jennings: I represent Tata Chemicals group, which also covers British Salt. We cover products such as sodium bicarbonate, carbon dioxide and salt. Just last year, we closed our last remaining UK soda ash plant. 104 roles were lost. We lost our previous one in 2014. Both closures were down to energy costs. We are now having to import soda ash from a sister company in America, as a consequence of the energy cost there. This is all pre-everything going on in Iran. This is just the underlying energy cost within the UK.

You mentioned Iran. We are trying to import products from our sister company in America and we are having to pass on freight surcharges to our customers because the Panama canal is blocked and everything is going round the Cape as a consequence. If you think deindustrialisation and offshoring of production will not impact the UK, I have to tell you it does, because we are having to do it ourselves.

If you look at our salt business, since 2020 we have lost approximately 20% of sales. We are seeing increasing imports from cheaper European products. Despite our production levels going down by that margin, our energy bills have gone up by approximately £4 million over that period. This is a real impact. It squeezes EBITDA and directly impacts our ability to invest. At the same time we are under pressure to reduce our debt.



HOUSE OF COMMONS

Any investment in modern technologies and decarbonisation is being prohibited by the high energy and carbon costs. I know that carbon costs are seen as a means to encourage people to invest, but what they really do is take several million pounds out of our operating profit, which reduces our ability to invest.

Q782 **Chair:** Let me get this straight: the sky-high energy bills are actually stopping you investing in decarbonisation.

Rick Jennings: Yes.

Q783 **Justin Madders:** Adam, David, do you have any sense of whether there is a Government strategy to deal with the potential price shocks from the middle east conflict?

David Whitehouse: I come from a slightly different perspective. I represent offshore energies—those investing in offshore oil and gas, as well as wind, carbon storage and the supply chain.

I have a couple of comments to make. One is that the response to issues in Ukraine and now issues in Iran doubles down on the importance of energy security in the United Kingdom. The lesson that I do not feel we have fully learned from what happened in Ukraine is that the most expensive energy is the energy you do not have.

In the UK, it is right that the Government are pursuing the accelerated build-out of renewable energy. That is correct, but as a country 75% of our energy is still oil and gas. There is huge value in producing our own domestic oil and gas. The North sea has significant opportunities. Alongside the drive to build out renewable energy, a sensible approach would be to develop our own oil and gas and reduce our reliance on wider LNG. From that perspective, the build-out of renewables is supported, but it should be done alongside maximising all of our homegrown energy. The second—

Q784 **Justin Madders:** Could I jump in there? Please come back to what you were going to say in a minute. When you talk about developing our own oil and gas, do you mean preserving whatever is extracted for the UK market rather than putting it on the global market?

David Whitehouse: No, I mean producing from our North sea. With supportive policy, we could double total production from the North sea in the next 25 years. I would not advocate for changing the market conditions. The gas we produce goes straight into our national grid and supports our 24 million homes and industry, and 80% of the oil that we produce gets refined in the UK or Europe. It is part of Europe's energy security. Fundamentally, by producing it ourselves we support jobs, communities and taxes, which gives the Chancellor at least some options in terms of how we deal with this.

Secondly, I do not feel we have learned from what happened in Ukraine. There is increasing geopolitical uncertainty. It is really important that we



HOUSE OF COMMONS

understand where our energy comes from and where our fundamental feedstocks come from. As Arjan said, we have seen the decline of the basic materials that we require for our day-to-day living, and a lot of those flow from our North sea. What happens in the North sea impacts our chemicals, pharmaceuticals and fuels industries.

We need to be much more acutely aware of where things are made, because where things are made and who makes them matters. In sharp contrast, today we are importing record levels of energy. We have chosen as a country to no longer produce ammonia, which is the very basic building block of our fertilisers. We are leaving ourselves exposed. The Government are recognising and seeking to take action on that, but it is an area where we need to be doing more.

Adam Berman: From the broader energy sector perspective, we have had lots of engagement with Government. They have recognised that this is a really difficult time for businesses, so they have moved to expand and backdate the British industrial competitiveness scheme, which comes out of the industrial strategy. The problem is that the BICS was, at best, a sticking-plaster solution to a systemic problem of high prices. It was not designed to deal with a particularly acute period of high prices caused by an international crisis. Even the slight expansion to BICS unfortunately still pales in comparison with the size of the issue.

Q785 **Sarah Edwards:** Rick, can I come back to what you were talking about a moment ago? If you are investing in green and renewable solutions on-site to help bring down energy costs, do you think there are enough tax incentives or ways of accounting for that in a particular way or could there be more such measures? Is that something that you have explored?

Rick Jennings: My role is group energy manager. I am responsible for the decarbonisation plans across all our sites. We have a 40,000-tonne-per-year carbon capture plant, which we use to produce our own CO₂ to use in our sodium bicarbonate business. We have decarbonisation plans, but the only one that does not actually increase our operating expenditure is very capital-intensive—more capital-intensive than we can fund. That is the problem.

When you look at the routes to decarbonisation, the majority do not actually exist. People talk about hydrogen. What is happening with hydrogen? If people could explain to me, that would be very helpful. There is no electricity—there is lots and lots in windmills, but there is none actually in the grid. If I was to look at putting an electric boiler in on my site, I would have to spend literally tens of millions on the grid connection. That is down to 25 years of underinvestment in the infrastructure. If I did invest, the electricity would then be more expensive, so I would increase operating expenditure at a time when the chemical industry is haemorrhaging businesses.



HOUSE OF COMMONS

Since 2021, 56% of CO₂ emission reduction in the chemical industry is the result of closures, not decarbonisation, largely because of energy costs. If we decarbonise by increasing our energy costs, we will not be around long, and that is why the decarbonisation is not going anywhere. If we were to put an e-boiler in to produce steam, the costs would increase significantly. I can give you some numbers of what the energy costs would be. On top of that, a project does not just not have a payback. It is going to cost us more money year on year. We would have to pay tens of millions for the grid connection and wait until maybe 2040 for the grid connection to do it. That is why there is nothing going on.

We are very committed to hydrogen as part of the decarbonisation solution for the north-west, through the HyNet scheme, which I know some of the members support. Everything is in a holding pattern. The HAR2 process is on hold; the revised hydrogen strategy is awaited; the HAR3 process is on hold. The hydrogen storage business model is being delayed. There is no clear route to decarbonisation and the routes you do see lead to increased operating expenditure at a time when the chemical industry is on its knees.

Chair: That is very stark. Let us get into the structural factors.

Q786 **Dan Aldridge:** Thank you very much for being here. We hear a lot about how energy prices are strangling business and causing real problems for households in places such as Weston-super-Mare and all our constituencies. It is important to remember that we are all constituency MPs. BP announced profits are up £1 billion, so clearly the energy price issue is not bad business for it. It is important that we explain to our constituents why that might be the case and why energy prices are so high when a company such as BP is making such massive profits at a time of global instability. Adam, could I come to you?

Adam Berman: The energy sector is really diverse, with lots of different parts. I should also add that there is a difference between global and domestic revenues. We have a couple of windfall taxes in place. We have the energy profits levy on upstream oil and gas extraction. We have the electricity generator levy that sits on electricity generation, particularly some forms of it. Profits vary wildly. To give you an example, retail energy suppliers supplying electricity and gas to businesses across the country make a profit of about 1%. In fact, they have gone through periods of being systemically unprofitable through losses. There is a really wide range of profits throughout the sector.

Q787 **Dan Aldridge:** What is driving that massive doubling of profits over the past six months?

Adam Berman: Do you want to pick up on the BP point, David?

David Whitehouse: What is driving that is the increase in commodity prices. It is largely the increase in commodity prices and the volatility drives trading returns as well. That is what BP is saying.



HOUSE OF COMMONS

If I could answer that question slightly more in the round, it is fair that consumers recognise that an energy company is seeing increased profits and that raises concerns. There are some things we should look at. One is that, when BP quotes those numbers, those are not domestic oil and gas numbers. They are from its global business.

We need to see continued investment in all of our energy sources, including our own oil and gas. For the last seven quarters, according to the Office for National Statistics, the UK continental shelf has made a negative return. When you look at it in the round and look at profits across the sector across a period of time, there are higher points when commodity prices are high, but, fundamentally, it is making a negative return. Many of the companies in that sector are paying over 100% effective tax rates.

What is the solution to that, though? There is volatility. We can come back to how we address that, but there is volatility in the energy market. We need to see continued investment in all forms of our energy, so what do we need for that? We need good and predictable regulation. We need a fair and fiscal return. When prices are high, in the oil and gas sector domestically, we think that it is right that the oil and gas sector pays a higher windfall tax, but a windfall tax designed so that we still see investment.

Last year in November, the Treasury came up with, I think, the solution. In November last year, the Treasury came up with the oil and gas price mechanism as the mechanism that would replace the energy profits levy. The oil and gas price mechanism means that, when prices are high, as we are seeing today, companies will pay excess tax on that excess revenue. That is right. When prices are lower, we are continuing to see investment and you get a real win-win.

You protect consumers because we produce more of our own energy. You protect the Treasury because we see that investment then drives more tax, not less. You protect communities, such as the one where I live in Aberdeen and the jobs and my friends. You protect that. By doing that, we have a much more secure and sustainable UK, because that domestic production comes with a lower carbon footprint.

Yes, you will see profits go up when prices spike. Look at it in the round, though. Make sure you are focusing on domestic production. There is a solution and I advocate very strongly that the Treasury should look to implement that solution now, because it will unlock over £50 billion of investment into the United Kingdom, supporting jobs, communities and our own energy.

Q788 Chair: The solution is the oil price mechanism.

David Whitehouse: It is two things. One is let us have a narrative that says, "We need all our energy." That would be useful. What underpins that is a regulatory regime that gives predictability and certainty, and we



HOUSE OF COMMONS

are working towards that, and, indeed, the oil and gas price mechanism proposed by Treasury in November last year.

Q789 **Dan Aldridge:** So there is a potential for the increase in profits to be fed back into consumers? I am trying to translate that into something that our constituents might understand.

David Whitehouse: There are two things. To some degree, having our own domestic production, has an impact in these volatile periods. You will see that gas prices in the UK have not followed LNG prices. There is a gap, so there is a saving to consumers.

With prices going up now, with that oil and gas price mechanism that I described, the industry will be paying several billion pounds more in tax. That gives the Chancellor the ability to support some of the very mechanisms that the gentlemen to my right were talking about. Absolutely, for your constituents, the message is support your own domestic producers, people and jobs in your own country. By doing that, you create the taxes that mean we can support ourselves when we hit these peaks of volatility.

Q790 **Chair:** Adam, lay out very briefly, if you would, the other two key structural drivers for our energy costs. Policy costs on the network are about £5.7 billion on bills, rather than on the general taxpayer—it would be about a 1p raise in income tax if we wanted to put that on the taxpayer. There is also the point about hooking prices of electricity to the marginal price of gas. Ed Miliband and Rachel Reeves have made some advances on decoupling. For the record, give us the two big structural drivers.

Adam Berman: On policy costs, the issue is that the UK is an international anomaly in one key way, which is that no other country finances all its critical energy infrastructure through energy bills. Elsewhere, it is a balance. They either do it balanced between domestic and non-domestic customers, or probably more between bill payers and taxpayers. The UK has funded everything through bills, so that is why we end up with policy costs that are so high.

It is not an issue of clean or dirty. We have just seen significant increases, for example, in critical investment needed in electricity transmission infrastructure and in gas transmission infrastructure. It is just supporting the infrastructure that we need.

The second point is probably not just about electricity, but about gas. The gas price is high in Europe compared with many other parts of the world, and that is because of the fundamental amount of gas demand that we have relative to the amount of gas supply that we have domestically in the UK and in Europe more broadly. Clearly, in places such as the US that is very different. It is probably going to be hard for us to get close to that.



HOUSE OF COMMONS

For electricity, the issue is that we are at a point in changing our electricity system where we use about 30% of gas to generate electricity, but gas sets the price the majority of the time, so about 60% or 70% of the time. There are probably two ways of looking at this. The first is that this is a problem that is already being solved. Back in 2022, in the last energy crisis, gas set the price about 95% of the time. Now it is 60% to 70%. By the time we get to 2030, it is going to be anywhere between 30% and 50% of the time, depending on which analyst you talk to. By the time we get to the early to mid-2030s, it will be really minimal. This is a problem that is already removing itself because we are building more clean energy infrastructure and clean generation. That is really positive.

On the other side, it is important to say that this is how markets naturally work. This is called marginal pricing, where you use the cheapest form of a product to meet demand until you have met all demand and then that last unit of demand that you met sets price for the whole market. That is how commodity prices work globally. I am not aware of an electricity market that does not use marginal pricing.

We need to move more quickly away from gas and we are making a pretty quick transition. The Government, in their recent announcement, tried to move some older renewables generators that benefited to a degree from higher wholesale prices. They are proposing moving them to these fixed contracts called contracts for difference, which, in effect, decouple prices as well. It is a constructive proposal, but, at the same time, this is already a problem we are largely solving.

Unfortunately gas has been fundamentally quite volatile in recent years. The reason that our electricity prices have been high, at least in the wholesale part of the bill, is because gas prices have been high. It is not because of some kind of weird market design structure. We design our market in exactly the same way as anyone else in the world. We just use quite a lot of gas.

Chair: Thank you for laying that out.

Q791 Chris Bloore: David, I wanted to pick up on what you said in response to Mr Aldridge's question about the BP profits that were announced today. I wanted to pick up on that because, from memory, the vast majority of BP's product comes from North America, so it has largely not been impacted by what has happened in the middle east. It has fields in Iraq, I understand, but it is largely in the Gulf of Mexico, et cetera.

For a lot of businesses such as Rick's and businesses in my constituency in Redditch, they will recognise that it has not been impacted by the middle east. They will see its share price go up 2.5% today as shareholders and investors are happy. They will see in the documents that the BP board is boasting, as I suspect it would, that its tax rate is 26% down on what it was the previous year.

While I understand what you were trying to articulate to Dan, I think a lot



HOUSE OF COMMONS

of businesses, manufacturers, domestic suppliers and users who are trying really hard to get through difficult times across the world are going to find that really hard to accept. Having not been impacted by what is going on in the middle east, BP is actually making a killing. How do we square that when you talk about using our resources and private companies getting into the North sea? It is not actually benefiting any of the businesses or constituents that I represent. Why should we keep giving a blank cheque to do this?

Chair: We got the question. I think you got the line of argument.

David Whitehouse: It is benefiting your constituents and the country. I would differentiate a global company talking about its global profits. I will talk about the companies that work in the North sea, which includes BP. They have not seen profits for the last seven quarters. They have made a negative return. Yes, with prices higher for a short period, they will see a return.

What I would say to you and your constituents is this. We should back UK production. When we use oil and gas and back our own workers and communities—you will have some in your constituency, and I will share that with you—who rely on that, we generate the value in our own economy. For every million barrels that we produce ourselves, that pays somewhere between £50 million and £90 million into the UK economy. You get none of that if we choose to import it. It provides jobs. It supports the very supply chain that we need to fund and drive the clean energy transition and it pays the taxes. It gives the Chancellor the opportunity to intervene where it is necessary. Please support our industries.

Chair: I am going to stop you there, David, because we are going to loop back on to North sea in a bit more detail in a second.

Q792 **Antonia Bance:** I would like to ask a question to all of the panel at this point. We are here today focusing in on the industrial strategy. How would you rate the Government's overall package of industrial energy support? We had the announcement about BICS two weeks ago. Many of us were very happy that it is starting earlier and is larger, taking in a wider breadth of manufacturing, than originally proposed. I would appreciate comments from the panel on government support.

Rick Jennings: Part of my role is looking at decarbonisation options within our salt process. Salt businesses across the UK have been in the news fairly recently. I would like to say that there is more than one salt company in the UK. We have about 50% market share in the UK. Our salt dryers need high-temperature heat. That high-temperature heat cannot come from a traditional-style heat pump with a high COP rating; if you are going to use electricity, you are going to have an electric boiler. That has a coefficient performance of one. Basically, one kilowatt-hour of electricity gives you one kilowatt-hour of heat. If we were to put one of those in—and this is for significantly less than 10% of our total site heat



HOUSE OF COMMONS

and less than 10% of the bill for our incoming energy—with no BICS and no supercharger, that would be a £3.9 million a year extra energy cost. With the BICS, it would be a £3.2 million extra energy cost a year.

Q793 **Antonia Bance:** The incentives still do not work for you to transition from gas.

Rick Jennings: No. The supercharger would bring it down closer to £1 million, but still that is with us having to find capital for the project, if there is a grid connection we can find, at a cost, and still pay £1 million extra a year on electricity.

Q794 **Chair:** I do not want to lose that point. The supercharger does actually bring the number down.

Rick Jennings: The supercharger is a significant benefit. Only half of my business is covered by it, because it is this SIC code lottery whether you fall within it or not. Part of the UK industry worry is that, when you talk about capturing these IS-8 industries, our customers might not be in that category. If we lose our customers to somewhere in Europe, they will be buying from Europe. They will not be buying from the UK.

Q795 **Chair:** You used the phrase “SIC code lottery”. Is that how it feels?

Rick Jennings: Yes, very much so. There is a list of SIC codes. If you are not on it, you do not qualify. We have been in discussions with DBT. We might have some success with this for all our businesses, but we could, through energy costs, lose customers that do not qualify for these schemes because it is cheaper to make what they make abroad. The salt business does not tend to export very much because the energy costs are so high and the margins are so low it does not stand up to a large amount of export. That market will be very difficult to chase abroad.

The sodium bicarbonate business is different. That is much more globally traded, but you are also competing with much cheaper energy costs in China and the US.

Arjan Geveke: The BICS does not apply to most energy-intensive industries because they are already in the British industry supercharger scheme. The British industry supercharger scheme exempts eligible companies from the cost of the renewables obligation, feed-in tariff, capacity mechanism and nuclear RAB and provides compensation for network charges. The BICS is only for the RO, feed-in tariff and, in the future, the capacity mechanism.

The BICS itself is hit and miss. “Lottery” is one way to describe it. DBT has based it on SIC codes and HS codes, but the information that defines a SIC code is poor, to say the least. I find it tricky to make Government policy based on that. As a result, Government have got themselves in a bit of a pickle, because, taking ceramics or chemicals again, some bits are excluded because there are companies in a SIC code that do not belong there but they are included anyway and therefore all the



HOUSE OF COMMONS

companies in that sector fall out, although in some sectors some companies deserve to be in.

The other thing is that you apply standardisation to all these industries, but the reality is far more complex, with interaction between sub-sectors and products. That is the reason why the Government will get a hard time on the BICS.

Q796 Antonia Bance: I have already started giving the Minister a hard time because my steel processing SIC codes are in, but, as Alucast in my constituency told me, my aluminium processing SIC codes are not in. That is people in the same setting, but just on different days of the week or with different sets of machines or with different materials.

Arjan Geveke: Yes, and it is worse for the chemical and ceramic sector.

Adam Berman: BICS is a step forward, but it is a sticking plaster to a systemic problem. If you have a systemic problem, you need a systemic strategy to deal with it. That has not been forthcoming from this Government or any previous Government.

There are still big questions about the BICS, not least how it is going to be funded. The Government have assured us that it will not come off bills and that it will be paid for through various shenanigans with energy market reform. All I can tell you, as someone who spends a lot of time thinking about energy, is that I am unconvinced that there will not be a situation in which some of BICS is paid for on bills, so that means cross-subsidised from other users. It might be as it is today where, unfortunately, you have hairdressers, pubs and dentists subsidising energy-intensive industries. I am not saying that we should not have those subsidies, just that the regressive way in which that works is frustrating.

To Rick's point about the decarbonisation, the thing that the BICS really misses is any sort of decarbonisation criteria or maybe another scheme to assist with decarbonisation. There was a scheme that DESNZ was pushing during the Budget process called the targeted electrification discount scheme, which was a relatively small one targeted at some of the larger users that wanted to electrify. It would have helped them with the grid and with the operating costs that folks such as Rick are really struggling with, with high electricity costs relative to gas. That did not get through the Budget.

Currently, industrial decarbonisation, in terms of carrot and stick, does not really exist. We have sticks in the form of carbon pricing, which is positive, but carbon pricing is not a silver bullet. It needs to be married with some sort of fiscal incentive to allow energy-intensive industries to decarbonise. At the moment, there is nothing.

Q797 Sarah Edwards: I wanted to pick up on the problem that the ceramics industry is currently having. As a Staffordshire MP, I know that the



HOUSE OF COMMONS

potteries have been very important there. The GMB general secretary has said that there has been a complete lack of support for these businesses, and Ceramics UK has called for an entire rethink of this British industrial competitiveness scheme, because it is only based on electricity, not on gas.

Denby Pottery at the moment is top of the news because it is in extreme trouble. One of our colleagues has asked the Committee to raise this directly with the panel. Linsey Farnsworth in Amber Valley has been campaigning for the 600 jobs that are reliant on this business. This is speaking to a much more systemic problem that our ceramics industries across the UK are up against. Arjan, maybe you have something to comment on here, or maybe other members of the panel. I know that we are pushed for time, but I wanted to raise this as being quite critical at the moment in emphasising the problem that we have with energy prices in our ceramics sector.

Arjan Geveke: Ceramics UK is one of my members, so I represent its interest as well. It has a valid issue, particularly with the BICS, as mentioned. Some of the sectors or sub-sectors are in; the factory products are mixed. Ceramics insulates and insulation fillings are in, technical is in, clay construction is out, as is ceramic tiles and flags. They are all competing with other products that can be in the BICS. That is the reason why I mentioned that Government have got themselves in a pickle, because they do not quite understand the interactions or the information that defines a sub-sector.

I was on a call this morning with Government as well. They need to have a look at that again. I will be lobbying Government on that to make those kinds of changes. Preferably, if Government will do a review of the British industry supercharger scheme as well, from my perspective they can make some administrative changes that make it easier for some ceramic sectors to be eligible. They are mostly gas-intensive but still use a lot of electricity.

That is on electricity and gas, and you still have the carbon cost as well, in which they face the carbon price under the UK ETS. That puts them at a competitive disadvantage as well. That decision and those levers lie with DESNZ. I will be going and lobbying DESNZ to take it into account as well.

Rick Jennings: It is not positive, but if there is an electrification route out for the ceramic industry, it will involve huge quantities. The grid connection is going to be at least 2040, which means the business is going to be running on gas until at least that time. All that is going to happen with gas is increased volatility through not having domestic supply and increasing carbon costs, starting with the alignment with the EU.

Even if there is a light at the end of the tunnel with EII qualification, it probably will be far too late to save industries that are currently



HOUSE OF COMMONS

struggling. The reality is that we are stuck. There is no viable alternative. There are no hydrogen pipes at the ceramics factory. There is no free grid connection and technology that will get them through. It is the gas price that will probably be the end, maybe not for that business but for many businesses, because there is no clear route off for gas.

Chair: That point is very well made.

Q798 **Chris Bloore:** You have all hinted at what you would do to change industrial price policies. I am interested in which countries you think are getting it right now, not just in the short term but also in the long term.

Adam Berman: Given quite how expensive our energy bills are, we probably need to be realistic about what is achievable. Bringing us to, say, the middle of the pack in European terms is pretty pricey, but is doable. Germany is actually already on the higher end of things when it comes to energy bills in Europe. Germany is taking €27 billion of policy costs off bills at the moment. That is a massive industrial strategy play.

Q799 **Chair:** Is it transferring it to the general taxpayers?

Adam Berman: It is transferring it to taxpayers. It is a fiscally constrained period for any Government, and more so for the UK Government. It has recognised that this is not just about affordability. This is about how you can ensure your economy increasingly moves to higher productivity, higher growth and higher wage growth, and seeing energy as a key input cost for that, and particularly for Germany as a high manufacturing country.

For us, when you talk to Treasury folks, they will see this through a very distinct energy affordability lens and there are loads of other things going on with competitiveness with British businesses. They probably remain unconvinced that, if they spend X pounds that they happen to have on bringing down business energy bills, there will be Y impact on the economy. We are doing some work at the moment—Energy UK alongside CBI and PwC—to try to quantify the economic impact of that, which we would be happy to share with the Committee.

Q800 **Chair:** Transfer of policy costs is No. 1 on your list.

Adam Berman: It would have to be No. 1, because it is such a large part of the bill. There are different ways you can do it. There is a complete transfer over to general taxation, which is pricey. There is trying to reduce them by doing things like what the Government suggested doing with this decoupling gas from electricity prices and moving some of these older electricity generators on to longer-term contracts for difference. I would probably propose a slightly bigger version than what they have done, but none the less it would be a partial step in the right direction. You could look at something such as securitising it over the longer term, which would help to slightly shield Treasury's books from the worst impacts.



HOUSE OF COMMONS

It is very hard. This is a hard problem. If there were lots of easy solutions, I would like to think that we would have found them quite a while ago. Ultimately it is probably going to come down to the difficult question of whether you keep broad and shallow support for businesses across the economy or you go very narrow. The industrial strategy is not narrow.

Chair: Let us bottom out the North sea piece to this.

Q801 **John Cooper:** This is probably for you, David. You have made a very powerful case for the North sea in terms of transition, protecting jobs and securing domestic supply. Looking specifically at gas and something such as the Jackdaw gas field, which is very controversial, would licensing that make a difference to domestic and commercial prices in this country, particularly if the Government were to secure a deal? It would be landed in the UK, of course, but if we were to secure that for domestic use only would that be helpful?

David Whitehouse: The Jackdaw field itself will come onstream. It will go through its approval processes and, if approved, come onstream in principle later this year. It will add about 6% to UK gas supplies. That makes us more secure. It will pay significant amounts of tax and support jobs. It goes straight into the UK sector. For me, those kinds of projects need to go through the appropriate approval process, but absolutely they make sense.

You can make that into a bigger picture. We are seeing a rapid decline in gas production in the United Kingdom because, in the last five years, there have been various policy shifts, the impact of covid, the impact of war in Ukraine, windfall taxes and concerns around the regulatory regime. They are all addressable. Were we to address them, the UK could find itself in a position where, rather than importing 80% of our gas by 2035—50% from LNG—our LNG imports would be just a fraction of that. That would be valuable to our consumers, it would make us more secure and less reliant, and support jobs and communities across the country.

Q802 **Chair:** I want to parse something here, David. You are not arguing that the price is going to come down necessarily, but you are arguing that the security will go up, plus there is a tax bonus that could then be recycled into—I do not know—ameliorating policy costs. Have I understood that argument right?

David Whitehouse: I would not make the argument that Jackdaw in itself would shift the domestic price of gas, although you find that, by having our own domestic supplies, when we see volatile situations, our gas price decouples to some degree from LNG prices, so short term there is a value. It is absolutely right that, by prioritising our own production, you are prioritising our own jobs, communities, value and tax for the Chancellor.



Adam Berman: The one bit of the sector I do not represent is upstream oil and gas extraction, so I have no skin in the game here. When it comes to gas, we are using less of it. None the less, as a result of domestic production, we are using more liquid natural gas imports as a percentage of our overall gas demand. It is the case that it could have a marginal impact on domestic gas prices, because you would be displacing one, two or three cargos of inbound liquid natural gas from the US. There is a small economic argument around bills. It is not transformative or a silver bullet, but, in the context of very high prices generally, lots of small wins seem to me the sensible thing to do.

Q803 **Sarah Edwards:** We have been talking a lot about the cost of energy and non-commodity costs making up 62% of a bill and the rest being commodity costs and a few other bits and pieces. One thing I have been campaigning on is this challenge around business energy and how you bring that down. I recently launched a charter, alongside lots of different trade associations including the Federation of Small Businesses, the Startup Coalition, the Association of Convenience Stores, UKHospitality, the Road Haulage Association, the British Beer and Pub Association, the British Retail Consortium and the British Independent Retailers Association. That is 230,000 businesses across the United Kingdom that are all saying that this is a major problem and that they support a transparency and trust charter.

I am not very impressed with some of the larger energy companies, because I do not feel that they are coming forward and saying, "Yes, we absolutely support it," despite the fact that Ofgem and the Government are moving toward an outcome-based framework and are mapping the principles of this charter to, for example, what the future of regulation around third-party intermediaries is.

This is one way of bringing down those bills in a small portion. It does not deal with all of it. These are all actions that can be taken together. Why is it that energy companies are not necessarily jumping forward and saying, "We are going to do this voluntarily"?

Adam Berman: I am happy to answer that question. Forgive me; I have not seen the charter. It sounds really interesting, so I would love to see it and maybe we could pick up on that separately. I guess that what it comes down to is whether there is lots of fat in the energy retail bit of the system that could be used to bring down energy bills for customers who are struggling with their bills. It is a matter of record that, at the moment, non-domestic retail energy suppliers are operating at about 1% profit.

Ofgem did a fairly major review of the non-domestic business market last year. My memory is that it could not find instances of what it deemed to be profiteering within the sector or of unreasonable profits. It is really hard to know. Maybe it is about specific cases.



HOUSE OF COMMONS

More broadly, I am more than happy to pick up with you separately about the charter, because I imagine we are all heading in the same direction. It might be a question of how we articulate different versions of what that regulatory landscape should look like, rather than the end goal of an open, transparent and competitive landscape that gets the lowest bills possible for your constituents.

Q804 Sarah Edwards: That is fine. We have been in touch with Energy UK about the charter, so it is disappointing that that is not higher up the agenda. Arjan, do you have anything that you would like to comment on? You represent a lot of industry bodies as well, which I am sure have a similar challenge and may have to buy through third-party intermediaries, which energy companies give lots of kickbacks and incentives to sell their particular products.

Arjan Geveke: Less so, because my members are so energy-intensive that they buy energy directly from the supplier. They are knowledgeable, like Rick is, about the energy market, so they do not need a third-party advisory service or contract to do all that.

I want to pick up a point that Adam has made as well. It is on removing the levies. That is also my view. These levies should never be on bills in the first place, because they do not address the market failure. It is just another financing mechanism so that the Treasury keeps it off the finance books.

It is not only me, representing energy-intensive industries, but also British Chambers of Commerce, Make UK and CBI, so you have all the non-domestic side. You have the green NGOs becoming increasingly more vocal, with Greenpeace, Aldersgate Group and Green Alliance saying the same thing. You have the unions that are starting to say the same thing and lobbying Government as well. There is a big groundswell coming up from all consumers, suppliers, green NGOs and the unions for Government to remove the levies. The only organisation that objects to that is Treasury.

Q805 Leigh Ingham: I have a really quick question. Following up on the oil and gas, I have one specific question about a ceramic business in my constituency. I am a Staffordshire MP as well. It can be a one-word answer. David, you will probably want to answer this. Would increased domestic gas production meaningfully reduce price volatility for firms, such as Henson Ceramics in my constituency?

David Whitehouse: If you invest in the long term and we focus on producing our own energy of all kinds, including oil and gas, yes, it makes a meaningful difference to the economy and your constituents.

Q806 Leigh Ingham: The price they pay would drop. That is what I am asking.

David Whitehouse: You find yourself in a position where, as Adam says, on the margins, yes. In the longer term, you have a more resilient economy. You have an economy where there is more money with the



HOUSE OF COMMONS

Exchequer and more people in work, including in your constituency. That supports your constituents.

Q807 **Leigh Ingham:** I know that you said you were not supportive of retaining domestic production for domestic customers, if I have understood that correctly. Would you support doing that for our manufacturing base and high-energy industries?

David Whitehouse: The concern I have is that, when you look at those wholesale market reforms in some way, shape or form of domestic production of anything, when we change the market there are usually unintended consequences. Those unintended consequences can be that we will need a significant amount of oil and gas production for our electricity for decades to come. There are some unintended consequences. As a first step, no, that would not be where I would start.

I would start with, first, a focus on our own homegrown production. It makes complete sense. If we are going to use oil and gas, let us produce it ourselves. Let us produce our own energy alongside that and focus specifically on the affordability of that.

Secondly, let us focus on not just the wholesale price. It was touched on there. How we design our future energy system is going to have a significant impact on our longer-term prices as well. There is insufficient discussion and debate around that, so let us bring that to the fore.

Thirdly, of course there are some short-term issues that need to be dealt with to support consumers and manufacturers, and there are some solutions there. We need to deal with the systemic issue, which is what the direction of travel for our long-term energy prices is. I would start with a very simple piece: support our own energy, oil and gas, renewables, etc. Let us focus on the broader system costs as well. There are significant savings and opportunities to be had in that area.

Q808 **Chair:** Let us do a quick wrap-up. Adam, you have laid out a number of answers already. Is there anything that you want to add to your evidence?

Adam Berman: As we have heard from Rick, decarbonisation is really tricky when you are a business in these sorts of situations. We should be learning lessons from abroad. There is a really great example I would like to bring the Committee's attention to, which happens in both Belgium and in Germany. It is called the 50/50/50 scheme, where they offer energy-intensive businesses up to 50% rebates on wholesale electricity prices, applied to 50% of their consumption with a €50 per megawatt-hour floor. Ultimately, they are trying to balance carrot and stick there. It feels to me like we should absolutely be rewarding the businesses that are doing the right things today in terms of decarbonisation.

Q809 **Chair:** Rick, is there anything you want to put on the list?



Rick Jennings: Do not confuse the current issue around the strait of Hormuz with the underlying cost issues.

Chair: Yes, that is a helpful clarification.

Rick Jennings: When we look to Europe, with our competitors in one of our businesses we see government grants giving subsidies to electrify or use other decarbonisation methods, which then gives them the cheaper fuel. People are able to reduce their opex by government grants supporting capital investment by typically a third to 50%. The IETF used to do this and it is gone. When you look at ETS, EU ETS recycles the money back into green schemes. Ours goes into the Treasury. It should be clear to the Committee—I hope that it is—that sectors that are struggling, such as the ceramics and chemical industries, will not be capital-rich.

Q810 **Chair:** Arjan, do you have a final word?

Arjan Geveke: Building on what Adam and Rick said, it is the balance between carrot and stick. Government have reduced the stick somewhat, but have completely withdrawn the carrot to help energy-intensive industries to decarbonise.

Chair: That has been a very rich discussion. We have talked about shifting policy costs off bills, decoupling from gas, securitising long-term costs, sorting out the problems on the supercharger and the BICS and the need for a long-term solution for gas-dependent businesses. We have heard a lot about the virtues of unpacking the potential of the North sea. We have heard, too, about the virtue of subsidies for electrification. That has been a really helpful set of evidence that will allow us to follow up with Ministers on this critical aspect of getting our industrial strategy right. That concludes this panel.