Department for Business, Energy & Industrial Strategy

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Darren Jones MP
Chair, Business, Energy and Industrial Strategy Committee
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UPDATE ON COMMERCIAL AGREEMENT WITH CF INDUSTRIES UK LTD

Dear Darren,

I am pleased to inform you that following extensive negotiations led by my department, the CO2 industry and CF Fertilisers have now reached a commercial agreement to enable the company to continue operating in the medium term whilst gas prices remain high.

The agreement ensures that businesses have access to a sustainable supply of CO2 and farmers will have adequate fertiliser for the spring season.

This positive outcome is the result of the quick and decisive action that we have taken to address the issue. On 21 September we agreed an exceptional short-term arrangement with CF Industries UK LTD, which allowed the company to restart operations and produce CO2 at its Billingham plant. The arrangement with the company provided time limited and capped financial support towards CF Industries UK LTD's operating costs at its Billingham plant for three weeks to provide the time for the market to adapt to global gas prices. The agreement contained a number of conditions, for instance ensuring CO2 produced is used to meet UK demand from UK customers.

Our arrangement reached with CF Industries was a unique one due to the exceptional circumstances in which we found ourselves. It met the accounting officer tests with the proposal offering value for money on the grounds that it avoids harm to the food supply chain and risks to critical infrastructure arising from a CO2 shortage.

Further, on 1 October, I announced that I would temporarily suspend parts of the CO2 industry from competition law to allow the companies to have the vital conversations needed to reach the agreement that was signed this week.

This market-based solution has ensured that industry can continue to function without the need for longer term financial intervention from the government, helping to protect taxpayers' interests.

I am copying this letter to the DEFRA Select Committee, the Chair of the Treasury Select Committee, the Public Accounts Committee and the Comptroller and Auditor General. Details of the financial support provided will be published in the 2021-22 BEIS Annual Report and Accounts in the usual way.

I also wanted to note my thanks to the officials in my department and across government for their work in bringing these negotiations to a positive outcome.

Yours sincerely,

Kwasi Kwarteng

RT HON KWASI KWARTENG MP
Secretary of State for Business, Energy and Industrial Strategy