CCSA response to the British Industrial Competitiveness Scheme: consultation on scheme eligibility and approach

19th January 2026

The Carbon Capture and Storage Association (CCSA) is pleased to provide a response to DBT's **British Industrial Competitiveness Scheme: consultation on scheme eligibility and approach**. The CCSA brings together a wide range of specialist companies across the spectrum of Carbon Capture, Utilisation and Storage (CCUS) technology, as well as a variety of support services to the energy sector. The CCSA exists to represent the interests of its members in accelerating the commercial deployment of CCUS in the UK, EU and internationally through advocacy and collaboration to achieve net zero emissions by 2050.

Summary

The CCSA welcomes the British Industrial Competitiveness Scheme (BICS) consultation and the focus on providing further support for electricity prices to UK businesses. **We also fully support the Governments ambition to bring down energy bills,** and thus the design of the BICS must be carefully considered, including being appropriately targeted and clearly funded in a manner that is not detrimental to other vulnerable sub-sectors.

We note that the scheme needs to be as straightforward as possible and clear communication with industry and businesses will be essential to the success of the BICS, with a clear decision on its design being needed by Spring 2026.

We caution, that further thinking needs to be given to how the BICS will be funded, what the impact will be on both existing generators and ultimately on domestic consumers, and the specifics of the schemes design. The consultation is vague in stating that the costs will be funded by 'bearing down on energy system' costs, and the CCSA has concerns around the overall design, eligibility criteria and ongoing administration.

We welcome the schemes clear focus on advanced manufacturing, which should assist with both the CAPEX and ongoing OPEX elements of CCUS project costs. However, we call for further clarity on the full scope of the scheme and whether additional elements of the CCUS projects ongoing OPEX elements, or additional parts of the CCUS value chain, are or could be considered in-scope of the scheme**. We highlight CO_2 Transport and storage operations as a critical consideration in this regard which would yield a multitude of benefits by being incorporated into the scheme.**

We note that the support provided to advanced manufacturing should help enable businesses to remain in the UK and be more competitive. **However, we caveat that the UK has some of the highest energy costs across Europe, and thus it is not clear if the scale of the support on offer will be sufficient to lower electricity costs for all businesses which are a part of, or manufacture for, the frontier industries, or**

sufficient to ensure international competitiveness. Furthermore, in the context of emerging industries such as CCUS, providing 'order book' certainty by progressing a strong pipeline of projects remains the most effective way to incentivise UK manufacturers to continue to invest in these supply chains and increase their UK activities, crowd in innovation funding, and open up export opportunities.

We provide further analysis on the sectors which should be in scope of the scheme and would welcome the opportunity to discuss this further with DBT.

Overview of the Scheme

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. **Impact on CCUS deployment**

CCUS is an essential component of the UK's net zero pathway, underpinning decarbonisation in sectors for which there are no alternatives. For these sectors to remain in the UK while decarbonising at the pace required, CCUS must operate as an efficient, competitive, and investable solution. CCUS projects face a considerable and ongoing operational cost base. The energy required to run capture systems, day-to-day operational activities, and fees associated with managing and transporting CO_2 all contribute to a structural level of operating costs that influence the overall cost of abatement.

These ongoing costs play an important role in the CCUS business models, where they are factored into support mechanisms and overall project economics. Lowering operational costs therefore brings clear advantages:

- it can strengthen the competitiveness of UK industrial and power facilities using capture technologies, and
- it can reduce the long-term financial commitments required from government through business model support payments.

Supporting OPEX reductions ultimately helps align industrial competitiveness, responsible public spending, and the wider goal of deploying CCUS at scale as part of the UK's pathway to net zero. We therefore welcome the schemes clear focus on advanced manufacturing, which should assist with both the CAPEX and ongoing OPEX elements of CCUS project costs; thereby enabling wider deployment. **Energy-intensive manufacturers such as cement or chemicals could constitute CCUS future network users, and thus we also strongly support their inclusion in the BICS.**

We would however welcome further clarity on the full scope of the scheme and whether additional elements —such as ongoing OPEX associated with CCUS projects or other parts of the CCUS value chain— are, or could be, considered in scope. Please see paragraph D for further details.

b. **Impact on businesses which produce equipment and components for IS-8 sectors**

We note that the support provided to advanced manufacturing should play a critical part in enabling businesses to remain in the UK, increase competitiveness, and may help to incentivise further investment in capabilities/capacities; given that high electricity costs can be one of the driving factors behind lost or delayed investment. **We caveat, however, that the UK has some of the highest energy costs across Europe, and thus it is not clear if the scale of the support on offer will be sufficient to lower electricity costs for all businesses which are a part of, or manufacture for, the frontier industries, or sufficient to ensure international competitiveness.**

Furthermore, in the context of emerging industries such as CCUS, providing 'order book' certainty by progressing a strong pipeline of projects remains one of the most effective ways to incentivise UK manufacturers to continue to invest in these supply chains and increase their UK activities, crowd in innovation funding, and open up export opportunities.

c. Impact on Energy Suppliers and wider consumers

The CCSA fully supports the Governments ambition to bring down energy bills, and thus the design of the BICS must be carefully considered, including being appropriately targeted and clearly funded in a manner that is not detrimental to other vulnerable sub-sectors.

Further thinking needs to be given to how the BICS will be funded, and what the impact will be on both existing generators and ultimately on domestic consumers. The consultation is vague in stating that the costs will be funded by 'bearing down on energy system' costs, and it would be useful to see further impact-analysis from DBT. We recognise that other complementary workstreams within DESNZ, the NESO and Ofgem are currently considering such reforms. However, there is little clarity about how the costs of this scheme will be realised. Given that such costs will be passed through onto electricity suppliers, it is important for Government to continue to develop measures that lower consumer bills and enhance energy efficiency, so that any unintended cost impacts can be managed.

In order to develop a streamlined scheme, which minimises detrimental impacts on energy suppliers and wider consumers, we note:

- The scheme design needs to be as straightforward as possible and closely aligned with existing schemes such as the British Industrial Supercharger (BIS).
- Reasonable lead-in time is needed by suppliers (approximately 12 months) to implement new processes. Furthermore, the supplier's role should be purely to apply bill discounts to eligible customers. In other words, eligibility decisions or exemption processing should not be undertaken by suppliers themselves.
- The scheme needs to be centrally administered by a single body (for instance Elexon or HMRC), and based on simple, easy to apply thresholds for eligibility.
- Effective collaboration and clear communication with industry and businesses will be essential to the success of the BICS, with a **clear decision on its design being needed by Spring 2026.**

d. Potential for an Expansion of BICS

The CCSA calls for CO_2 transport and storage (T&S) infrastructure to be brought into scope of the BICS proposals.

In order for UK businesses which are looking to deploy decarbonisation technologies such as CCUS to remain competitive, electricity price support could be offered to a wider variety of industries, so long as

this can be appropriately costed and funded. This will be critical to the UK's economic success and leadership on climate action and will enable our industrial base to be rebuilt, both protecting and creating jobs.

CO_2 T&S projects are electricity intensive and will be the backbone of CCUS networks which will connect energy intensive industries, most of which are eligible for the Network Charging Compensation (NCC) scheme. Moreover, CO_2 T&S systems will in the future be an integral component of the manufacturing value chain, which in many cases will include BICS eligible sectors.

Incorporating this sector into the BICS would offer a 'material OPEX benefit which would have wider benefits to Government (see paragraph a). Furthermore, the UK Government has stated aims to develop a European CCS market, and UK CO_2 T&S networks may not be able to competitively compete in this emerging market as a result of higher UK electricity prices compared to European counterparts.

CO_2 T&S can be classified as a frontier manufacturing industry, and therefore eligible for BICS, as it shares many characteristics with manufacturing and other production industries:

- **Physical transformation:** Manufacturing is fundamentally about transforming materials into a new state or product. CO_2 storage likewise involves a physical process**:** captured CO_2 (a waste gas) is processed and injected into rock formations, effectively converting it into an immobilised state (a "stored product" in geological pores). It is thus more akin to a large-scale industrial process, similar to refining or waste reprocessing. The output of CO_2 storage, measured in *tonnes of CO_2 securely stored* is a concrete, countable outcome, much like the output of a factory in tonnes of product.
- **Capital intensive infrastructure:** CO_2 T&S requires heavy infrastructure: compression facilities, pipelines, wells, offshore platforms, monitoring systems, and so on. This mirrors the fixed assets of manufacturing plants or mining operations. High upfront investment and engineering are characteristic of manufacturing industries and other "production" sectors.
- **Value chain integration:** CO_2 T&S is integral to industrial supply chains. It enables manufacturing companies (steel, cement, chemicals, hydrogen production) to continue making goods without emitting CO_2. In this sense, CO_2 T&S is an enabler of manufacturing as it sits at the end of the production line, allowing the product to be made with mitigated emissions. Without T&S, those manufactured products cannot be low carbon, so it should be viewed as part of the manufacturing process rather than a standalone service.

CO_2 T&S also shares the characteristics of a foundational industry. Foundational industries will be in scope of BICS because these sectors provide "important inputs" to frontier manufacturing sectors, play a significant role in underpinning growth opportunities, and face high electricity costs. The same logic applies to CO_2 T&S infrastructure, which will be integrated into the physical value chain of industrial emitters. We note that *"the collection of hazardous waste"* is listed as a foundational industry in Table 3, Annex A. **As such including *"the treatment and disposal of non-hazardous waste"* would be an effective way to confirm that CO_2 T&S infrastructure is eligible for the BICS.**

Confirming CO_2 T&S eligibility for BICS would have a cascade of positive impacts:

- **Lower costs for industrial emitters.** Flow charges are the variable transport tariffs applied to the volume of CO_2 gas that a user injects and transports through the network. Electricity is a significant component of these flow charges paid by industrial emitters. Reducing electricity levies could therefore materially reduce the input costs of these flow charges.
- **Increased network utilisation and further cost reductions**. Reduced flow charges would likely make it more economic for emitters to capture and transport more CO_2, thereby increasing utilisation of the T&S network. Increased network utilisation would reduce the per unit cost of fixed charges (capacity and network fees) paid by emitters.
- **Reduced need for government subsidy and consumer levies.** Reducing electricity costs for T&S networks would lower overall revenue needed from the subsidised fees paid by emitters (see above). This in turn would reduce government subsidy and the consumer levies needed to fund it.
- **Lowers the overall cost of decarbonisation** and supports government ambition to move the CCUS sector towards a more commercial model.
- **Supports Government's vision for the UK to become the CO_2 storage hub of Europe**, given that CO_2 T&S will likely soon become an international industry exposed to competitive costs pressures.
- **Ensuring fair competition between low carbon technologies.** Confirming CO_2 T&S eligibility would level the playing field with other low carbon decarbonisation technologies that are in scope (such as low carbon hydrogen production, which qualifies for the EII scheme) and ensure that emitters can choose the technology that enable them to decarbonise at least cost.

We understand the fiscal pressures on the BICS design, however, as noted above, reduced government liability for support in establishing this industry, plus the resulting tax revenue and private investment into the sector, should help offset the additional cost of including CCUS T&S within BICS.

Eligibility for the British Industrial Competitiveness Scheme (BICS)

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.**

As the trade association for the CCUS sector in the UK, we represent a range of member companies, some of which manufacture components and equipment for the CCUS sector in the UK. CCUS, including Greenhouse Gas Removals (GGRs), is one of the IS-8 sectors; a Frontier Industry with the Clean Energy Sector Plan, released as part of the Government's Industrial Strategy.

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**
    b. **The manufacturing frontier industry or manufacturing foundational industry you are in**
    c. **The SIC-4 code under which your business is registered in Companies House data**
    d. **Relevant HS6 codes for products you manufacture**

Please see the attached spreadsheet analysis in response to this question. This analysis covers a selection of carbon capture and storage (CCS) project archetypes, and represents a high-level overview of the range of manufactured components / equipment, which may be required by these projects. We have also noted where these components / equipment are, in our view, not currently captured by the DBT SIC-4 classification list, noted in Annex A of the consultation documents.

Key CCS relevant SIC-4 codes that are not currently within scope of the BICS include:

- 2511 - Manufacture of metal structures and parts of structures
- 2529 - Manufacture of other tanks, reservoirs and containers of metal
- 2591 - Manufacture of steel drums and similar containers
- 36000 - Water collection, treatment and supply
- 3020 - Manufacture of railway locomotives and rolling stock

We strongly stress that the taxonomy is a relatively high-level overview of the CCS value chain (only encompassing 172 different component / equipment types needed by these projects). It thus does not represent the entirety of the manufacturing processes needed to produce many of these components / pieces of equipment. For instance, this taxonomy does not cover all of the manufacturing processes that may be required by different businesses to produce a finished compressor or heat exchanger.

Please note that the CCS specific taxonomy was developed by DESNZ and Arup in 2023[1], in consultation with the CCSA membership, and we would welcome the opportunity to further engage with DBT:

- on the CCS taxonomy and accompanying SIC-4 code analysis; and
- how supply chain innovation and project deployment is impacting this taxonomy.

Please also see our response to question 1 regarding additional BICS eligibility considerations.

[1] ARUP & DESNZ (2023): Opportunities for economic growth in the UK's Carbon Capture & Storage Industry. Link

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.**

The CCSA agree to an extent. While there will be challenges with using this method of classification, and classification inaccuracies by businesses will be a critical consideration for DBT to work through and keep under review, utilising SIC codes likely represents one of the most streamlined and widely understood methods to utilise for the purposes of this scheme.

We do not however fully support the use of HS codes for this scheme, given that this classification system is used for export processes. Thus a significant number of manufacturing businesses, (which only supply domestic markets) may not be familiar with this system – requiring them to invest resource, cost and time to become familiar with it.

Furthermore, we highlight that it would be useful for ongoing support to be provided by DBT to assist businesses who are looking to apply for this scheme. This would likely yield multiple benefits including:

- Limiting classification inaccuracies by businesses.
- Increasing DBT's understanding of the nature of the businesses who are applying for the scheme and receiving support.
- Prevent costs to businesses associated with needing specialist advice to navigate the eligibility and application processes of this scheme.

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.**

No response from the CCSA.

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.**
    a. **Electricity expenditure as a portion of total expenditure**
    b. **Electricity expenditure as a portion of gross value added**
    c. **Other (Please specify)**
    d. **Do not know**

It is the view of the CCSA that the most suitable definition of electricity intensity for BICS would be electricity expenditure as a portion of total expenditure, rather than using Gross Value Added (GVA). This approach better reflects the actual cost burden of electricity on a business, which is central to the scheme's objective of improving competitiveness for frontier and foundational industries.

Electricity expenditure is closely linked to an industrial emitter's short-run marginal cost of production, as total expenditure captures the variable costs required to operate. If electricity accounts for a large share of these costs, it directly constrains output and competitiveness. Reducing electricity costs therefore lowers marginal cost, incentivising additional production and supporting growth, which is our interpretation of what the BICS is looking to achieve.

In contrast, GVA measures economic output rather than cost structure. It can be distorted by factors unrelated to energy use, such as product pricing, automation, or labour intensity. This means businesses producing high value goods could appear less electricity intensive under GVA, even if electricity costs significantly impact their competitiveness.

The level at which the electricity intensity threshold is set will be critical in determining eligibility and in turn the overall costs and benefits of the scheme. **We welcome further clarity on government's thinking on this as soon as possible.**

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.**

The CCSA flag a few fundamental concerns with the approach proposed in the consultation:

- Pro-rating exemptions for businesses which operate multiple sites and multiple product lines, would be costly and challenging for even large businesses with dedicated teams.
- Small manufacturing businesses would likely find it even more challenging, with specialist assistance needed to help these businesses apply and continue to supply relevant data.
- Pro-rating exemptions is also unlikely to incentive investment, given that businesses (large enterprises but also SME's), often make investment decisions for the business as a whole, rather than for individual product lines.
- It is not clear from the consultation documents, how eligibility and exemptions would be applied over time. For instance:

- It's not clear whether any business that becomes eligible during the duration of the scheme would be able to join it part way through or not? Furthermore, it is not clear if exemptions and eligibility would be decided annually, or only at the 2030 review period?

- Given the relatively nascent nature of the CCUS industry in the UK, manufacturers are gradually pivoting activity to CCUS as opportunities arise and projects progress. We therefore consider it important for Government to review eligible businesses, and the in-scope SIC codes, earlier than the stated 2030 review date, so as to capture innovation and emerging trends across the CCUS supply chain.

Please see our response to question 9 for additional considerations.

8. **Which approach to pro-rating exemptions is more appropriate? Please provide reasons for your response.**
    a. **Using the proportion of revenue generated by eligible products**
    b. **Using the proportion of energy used in the manufacture of eligible products**
    c. **Other (Please specify)**
    d. **Do not know**

Please see our response to question 6 and question 7.

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)?**

In the context of clean energy industries, we understand it is the ambition of Government to further develop UK manufacturing capability and ensure UK projects can procure components from UK suppliers, supply chain innovation is centred in the UK, and export markets open up. We therefore note that if Government wishes to use the BICS as a way to 'indirectly' incentivise UK businesses to move to manufacturing components for the frontier industries, then further arrangements could be pursued. As such we offer the following proposal:

Initially setting a 'minimum threshold of manufacturing activity', rather than focusing on a pro-rated approach, would incentivise businesses to move to manufacturing for the IS-8 sectors and frontier industries.

In this scenario, a wider variety of manufacturers would likely be incentivised to dedicate a proportion of their activities to frontier industry manufacturing, given that they would receive a greater degree of interim support on their energy bills.

In order to ensure this functions as an incentive to for businesses to move now, as the UK CCUS industry scales, this aspect of the schemes design could be time-limited; thereby incentivising companies to move to frontier industry manufacturing to stimulate investment. Over time or at a specified date, support could then move to a fully pro-rated regime (although we highlight our concerns with pro-rating as noted in question 7).

We do, however, understand the fiscal pressures on the schemes design. This should be considered against the additional revenue and benefits that investment in this industry will provide.

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.**

While we understand the Governments need to manage the costs of the scheme, stringent ongoing cost control measures could act as a disincentive to investment, if not clearly defined from the outset of the scheme, and if they are subject to change on unspecified time frame. As such, controls must be transparent and predictable, so that companies can make sensible investment decisions.

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 from the CCSA.

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

No response from the CCSA.

Application process and evidence requirements

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?**

No response from the CCSA.

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.**

No response from the CCSA.

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

No response from the CCSA.

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 from the CCSA.