



Department for
Business & Trade

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

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Contents

Rationale for the Consultation	2
Summary of the consultation	3
Policy executive summary	5
Evidence from the consultation	7
Proposed timeline for implementation/introducing exemptions	8
Government response to the consultation questions	9
Conclusion and next steps	24

Rationale for the consultation

In June last year, the government's 'Modern Industrial Strategy' announced the new British Industrial Competitiveness Scheme (BICS). The scheme is designed to address one of the most pressing challenges facing manufacturing businesses today: remaining globally competitive while operating with some of the highest industrial electricity costs in Europe.

BICS is targeted at manufacturing frontier industries within the Industrial Strategy's growth sectors (the 'IS-8'), as well as manufacturing foundational industries that provide important inputs to the frontier industries, who meet a certain threshold of electricity intensity. The scheme will exempt eligible businesses from paying the indirect cost of 3 schemes:

- the Renewables Obligation (RO) and Feed-in Tariffs (FIT) which require electricity suppliers to make payments to support generation of electricity from renewable sources
- the Capacity Market (CM) which requires electricity suppliers to make payments to ensure the UK has adequate electricity capacity

This consultation sought views on the proposed approach to, and eligibility for, the new scheme.

This consultation sits alongside wider government action to address the immediate challenge of high industrial electricity costs. This includes increased support for Great Britain's most energy intensive industries eligible for the Supercharger package, with an uplift to the Network Charging Compensation scheme from 60% to 90% from 2026, as well as continued support through the Energy Intensive Industries Compensation Scheme, which helps to mitigate the risk of carbon leakage.

The government has been clear that the long-term challenges of energy security, affordability and sustainability are closely linked, and that clean power will play a central role in addressing them, as set out in the Clean Power 2030 Mission. The government remains committed to supporting industrial electrification and addressing barriers to investment, as highlighted in the 2023 call for evidence on enabling industrial electrification. We are continuing to develop further policies to bring down electricity costs relative to gas and intend to consult on options to reduce costs and make electrification an economically rational choice for a wider range of businesses and organisations.

Summary of the consultation

The consultation was published on 24 November 2025 by the Department for Business and Trade (DBT) and sought views on the proposed approach to, and eligibility for, the new British Industrial Competitiveness Scheme (BICS).

Through the consultation, DBT sought views and evidence from a wide range of audiences, including:

- manufacturing businesses (irrespective of whether they are likely to be eligible for BICS)
- other electricity consumers (including households and non-manufacturing businesses)
- trade bodies
- consumer associations including Citizens Advice, Consumer Scotland
- electricity suppliers
- the devolved governments
- other interested parties

DBT sought views on:

- the impact of the scheme on stakeholders in the British energy system
- proposals for identifying eligible businesses for the scheme
- how suppliers might implement the exemptions

The consultation gave stakeholders an opportunity to provide their views and evidence to the questions posed.

This consultation was available on GOV.UK and was emailed directly to a number of stakeholders who had previously expressed an interest in this issue or could be perceived as an interested party.

The consultation ran for 12 weeks from the 24 November 2025 and closed on 19 January 2026. A total of 288 responses were received from stakeholders, including business representative organisations, trade associations, energy suppliers and others. Not every question was answered by all respondents.

All the responses have been carefully analysed and considered, and this document provides a full government response. Responses captured in this document refer to “respondents”, whereby each individual response submitted has equal standing, regardless of whether this was received on behalf of a trade body or an individual company.

To enhance the quality and efficiency of the analytical process, we partnered with the Department for Science, Innovation and Technology (DSIT) to employ their artificial intelligence-powered tool, Consult.

Consult uses AI and data science techniques to automatically extract patterns and themes from the responses and turns them into dashboards for policy makers. This means humans can spend less time identifying themes and mapping responses to those themes, and more time turning them into actionable insights that shape government policy.

The tool supported qualitative analysis in 3 main stages. First, it generated the list of themes raised across the responses to each question. Next, it identified which (if any) themes were present in each individual response. Finally, Consult produced a dashboard of responses available to analysts and policy officials, which summarises the thematic findings and allows them to easily search through and filter responses by theme and respondent demography.

A number of quality assurance measures were put in place to ensure Consult met our performance standards. First, analysts and policy officials refined the list of themes Consult generated for each question. Starting with a long list generated by Consult, the in-house teams were able to add, modify, split, or combine themes, to produce a short list. The purpose of this check was to ensure that the themes were relevant to the policy questions, and at times to identify less common themes from the AI-generated long list that officials felt were particularly important. For each question, a final list was agreed to be used in the assessment of findings. DBT and DSIT also undertook human-led evaluations to ensure that Consult was able to accurately identify which themes were present in a consultation response. Consult was measured against the F1 standard, a widely recognised AI quality metric. It identified how often the AI recognises the same themes in consultation responses as human reviewers. An F1 score of 1 means the AI and human reviewers always agree. AI is considered good quality if human reviewers agree with the AI at least as often as they agree with other humans. In the evaluation for this consultation, the reviewers scored 0.852 against each other, while the AI vs. Reviewer 1 gave a score of 0.966 and the AI vs. Reviewer 2 gave a score of 0.865. Hence, Consult's theme mappings were consistent with human reviewers.

You can read more about Consult and the team behind it on the [AI.GOV.UK website](#).

The government regrets the delay in publishing this response. This reflects the need to carefully consider the large number of responses received and to finalise the funding arrangements for the scheme.

Alongside this response, the government has published a second consultation on the regulatory changes required to give effect to BICS and on the detailed delivery of the scheme. The consultation will run for 4 weeks, closing on 14 May 2026.

Policy executive summary

This section sets out a high-level summary of the policy positions taken in this consultation response. The scheme aims to reduce electricity costs for manufacturing frontier industries within the Industrial Strategy's growth sectors (the 'IS-8') and manufacturing foundational industries which provide important inputs to the frontier industries, who meet a certain threshold of electricity intensity. Eligible businesses are to be exempt from paying the indirect costs of the Renewables Obligation (RO), Feed-in Tariffs (FIT) and the Capacity Market (CM).

Eligibility Criteria

To be eligible for BICS, a business must operate in an eligible sector and manufacture at least one eligible product. The level of exemption that they receive will depend on the proportion of electricity use at each site which relates to manufacturing of eligible products.

To determine if businesses operate in eligible sectors

BICS is intended to support manufacturing frontier industries within the Industrial Strategy's growth sectors (the 'IS-8') and manufacturing foundational industries which provide them with critical inputs. These industries are defined using SIC4 codes, as initially proposed in the consultation. The list of eligible codes has been updated following consultation feedback.

To ensure that BICS support is targeted to businesses who will be responsive to a change in the electricity price, an electricity test will be applied to these sectors. For the purposes of this test, electricity intensity will be calculated as [electricity consumption ÷ GVA]. The thresholds for the test will be as follows:

- for manufacturing frontier industries, only SIC codes with electricity intensity over 0.9% will be eligible
- for manufacturing foundational industries, only SIC codes with electricity intensity over 2.7% will be eligible

These thresholds were determined by a rigorous analytical process, with the aim of maximising the scheme's growth and investment impact by including as many high-productivity sectors as the available budget allows.

Annex A of this response contains the list of SIC codes which pass the electricity intensity test and are eligible for BICS. There will not be an electricity-intensity test for individual businesses.

To determine if businesses produce an eligible product

Manufacturing products which are eligible for BICS support are defined using HS6 codes, as proposed in the initial consultation. Annex A of this response also contains the final list of eligible HS6 codes. Businesses applying for BICS will need to provide evidence of the eligible products that they manufacture. These evidence requirements will be set out fully in detailed guidance in the coming months.

To determine the value of exemption beneficiaries receive

Exemptions will be pro-rated using a light-touch, banded approach administered on a site-by-site basis. If a business wishes to claim BICS support for a manufacturing site, they will need to provide details of all import Metering Point Administration Numbers (MPANs) related to the site, and evidence of the proportion of electricity consumed at the site which relates to

eligible production processes (that is, manufacturing of a product on the HS code list). The ratio of these 2 figures will determine the value of the exemption received, as follows:

- if less than 25% of electricity usage at the site relates to eligible manufacturing, no exemption is awarded
- if between 25% and 50% of electricity usage at the site relates to eligible manufacturing, a 50% exemption from the relevant levy costs is applied to all import MPANs on the site
- if 50% or more of electricity usage at the site relates to eligible manufacturing, a 100% exemption from the relevant levy costs is applied to all import MPANs on the site

Checks will be in place to ensure that only genuine manufacturing sites are able to receive exemptions. In cases where sites and/or MPANs are shared between businesses, calculations will only take the applicant's share into account.

Guidance will accompany the implementing legislation, with details on how a manufacturing site is defined, how to deal with sites with shared meters (including those meters owned by third parties), how to calculate the pro-rating percentage and evidence requirements.

Evidence from the consultation

In summarising the responses received to each question:

- “the majority” indicates more than 50%
- “several” indicates between 25% and 50%
- “some” indicates between 10% and 25%
- “a few” represents less than 10% of respondents

When considering the summaries of responses, note that:

- this summary does not seek to exhaustively capture all views expressed, but to summarise key themes and particularly notable points of feedback within responses
- respondents used either an online response portal or sent their responses by email
- not all respondents answered every question

The government engaged closely with directly concerned parties throughout the consultation period to explain and clarify the proposals. Views expressed during these events are not captured in this response. However, we have factored these into our decision making and next steps.

Proposed timeline for introducing exemptions

In line with the commitment set out in the Modern Industrial Strategy to deliver BICS by 2027, the government confirms that following an eligibility identification process, exemptions on bills will take effect from April 2027 for the RO and FIT levies, and October 2027 for the CM levy. The government has launched a consultation on regulatory changes to these schemes, as well as the detail of scheme delivery in conjunction with this response.

During the consultation phase, the government engaged with electricity suppliers and delivery bodies on wider issues not directly covered by the consultation questions. A common theme emerging from this engagement and from consultation responses, related to the proposed timing of the scheme. Several suppliers and delivery partners asked for greater clarity on when BICS exemptions would apply and noted that applying exemptions on bills from the CM levy outside of its established delivery window could present significant difficulties.

In response, the government has committed to staggering the introduction of BICS exemptions, with RO and FIT exemptions applying from April 2027 and CM exemptions applying from October 2027.

However, the government also recognises the immediate challenges that electricity costs present for businesses and has heard calls for support sooner rather than later. The government has taken the decision to provide an additional payment for eligible firms upon launch of the scheme in April 2027. The amount of this payment will be determined by reference to the amount of support businesses would have been entitled to had BICS been in operation from April 2026. This will be funded by the Exchequer and will not lead to any increases in electricity bills for non-eligible consumers. Further details on the delivery of the payment will be published separately.

The government intends to implement BICS by amending the existing secondary legislation establishing the RO, FIT and CM. These changes are expected to be made by Autumn 2026 following a further consultation, subject to parliamentary approval and completion of subsidy control procedures.

Government response to the consultation questions

Question 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.

Consultation response

72% of respondents believed that the scheme would have a positive effect on the British energy system, compared to **5%** who believed that the impacts would be negative. **11%** of respondents believed that the effect would be neutral, and **12%** respondents did not know.

The majority of respondents discussed the positive impact that BICS would have on boosting competitiveness, attracting investment, and supporting growth across manufacturing and energy-intensive industries. Some respondents considered the positive impact of BICS on helping manufacturers meet decarbonisation goals, while some discussed the creation and retention of jobs within energy-intensive industries.

Several respondents – including those who answered that the overall impact of BICS would be positive – expressed concern around the narrow eligibility criteria, the implications for allied non-eligible sectors and dependent supply chains, and the absence of a longer-term approach to manage electricity costs past 2035.

Some respondents gave consideration to ineligible businesses, who may face high electricity costs as a result of BICS, particularly if larger businesses are getting preferential treatment at the expense of SMEs. Some respondents offered concerns about the potential administrative burden, which was a cross-cutting theme through the whole survey.

A few respondents raised the risk that the implementation of this scheme would take away from addressing the wider structural causes of high industrial energy prices.

Government response

The government welcomes support from the majority of respondents who agree that the scheme will have a positive impact and highlighted the potential benefits to competitiveness, investment and growth.

A few respondents raised concerns about the timelines for implementation and called for BICS to be delivered sooner. While we cannot operationalise BICS until April 2027 due to requirements on scheme design, drafting legislation and mobilisation of energy suppliers and settlement bodies, the government recognises the need to act swiftly to provide investment certainty for our eligible manufacturing frontier industries and foundational businesses. As such, the government has taken the decision to provide an additional payment for eligible firms upon launch of the scheme in April 2027. The amount of this payment will be determined by reference to the amount of support businesses would have been entitled to had BICS been in operation from April 2026. This will be funded by the Exchequer and will not lead to any increases in electricity bills for non-eligible consumers. Further details on the delivery of the payment will be published separately.

The government also acknowledges the concerns of ineligible businesses and recognises that electricity costs are a challenge for many businesses. BICS has been designed to target support where it can have the greatest impact on growth within its agreed cost envelope. This includes focusing on the highest growth potential sectors targeted by the Industrial Strategy and industries within their supply chains; on manufacturing activity that is mobile and exposed to international competition, and within that, on sectors with high electricity intensity, to ensure support is directed where it will have the greatest impact.

The government confirms that the scheme is designed to be accessible to small and medium-sized businesses as well as larger businesses, and support is not prioritised based on business size.

In 2030, there will be a review to ensure that, as prices evolve, BICS continues to deliver its aim of supporting the competitiveness of British businesses in critical manufacturing Industrial Strategy sectors through support on their electricity prices, and that it is operating in an efficient and cost-effective way.

The government also recognises wider concerns about longer-term electricity costs and the underlying structural issues driving high electricity prices. While BICS is in operation, the government will continue to review the role that the scheme plays in the context of broader industrial energy interventions, with the aim of ensuring that businesses receive reliable support until wider changes in the energy system bring prices down for all consumers. This sits alongside government's Clean Power 2030 Mission, which sets out a long term plan to boost energy security and reduce our exposure to fossil fuel price shocks by building clean, homegrown energy.

Impact on other energy users

The government recognises concerns about the potential impact of BICS on other energy consumers, including ineligible businesses and households, as well as calls for greater clarity on how the scheme will be funded.

We can now confirm that BICS will be funded through a combination of changes within the energy system (such as those recently made to inflation indexation of RO/FITs), removal of Carbon Price Support from April 2028 and Exchequer funding. This will ensure domestic and non-domestic electricity consumers do not see an increase in their electricity bills as a result of the scheme.

Exchequer funding will be scored in the usual way at the Autumn Budget 2026. The NIE will receive funding to deliver an equivalent programme, subject to business case development. Full details of the funding arrangements for the scheme and bill impacts will be provided in the impact assessment that will be published alongside the legislation in the Autumn.

Question 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.

Consultation response

17% of respondents carry out activities in Advanced Manufacturing, **5%** in Clean Energy Industries, **3%** in Defence, **6%** in Life Sciences, **5%** in Materials, **5%** in Multiple frontier or foundational industries, and **38%** conduct activities in other industries.

19% of respondents manufacture products in Advanced Manufacturing, **4%** in Defence, **6%** in Life Sciences, **5%** in Materials, **4%** in Multiple frontier or foundational industries, and **33%** manufacture products in other industries.

Government response

The government acknowledges the range of sectors who responded to the consultation and will use data from this question to assess how different sectors responded to the consultation overall.

Question 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.

Consultation response

37% of respondents answered this question. **85** SIC and **128** unique HS codes were suggested for consideration.

The majority of respondents were businesses (**50%**), followed by trade associations (**24%**), organisations (**4%**), and energy suppliers (**3%**). **16%** of respondents to this question did not specify the nature of the organisation they were responding on behalf of.

18% of respondents to this question reported carrying out activities in Industrial Strategy sectors, with most of these operating in the advanced manufacturing sector. A further **6%** reported operating in multiple frontier or foundational industries.

Government response

To assess whether the SIC and HS codes suggested in the consultation reflect Industrial Strategy frontier manufacturing activity, a multi-stage review process was used.

Each code was assessed against the narrative definition for the relevant frontier industry, with HS codes also tested against additional questions (for example, whether the product is core to the industry) to confirm they capture frontier manufacturing activity.

Both consultation responses and research informed these assessments. The results were then tested with sector teams, which informed the final SIC and HS eligibility list.

Based on suggestions from the consultation, to ensure alignment with frontier industries' eligibility and to enable better targeting, eligibility for foundational industries will be based on both SIC and HS codes.

As with frontier industries, a multi-stage review process was used to assess whether codes were focused on IS manufacturing industries, which included working with the Supply Chain Centre (SCC) - as outlined in the consultation and in line with the Industrial Strategy Technical Annex. The SCC have undertaken a programme of work which included analysis of trade and supply chains, alongside engagement with industry and cross-government.

Each potential code, including those raised in consultation responses, were reviewed to ensure they were manufacturing and IS related, could be well targeted and reflected genuine inputs into the frontier industries.

The final lists of eligible SIC codes which pass the electricity intensity test, alongside the final list of HS6 Codes are included in Annex A of this response.

Question 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.

Consultation response

41% of respondents agreed with the proposal to use SIC and HS codes to identify eligible products and manufacturing activities, compared to **25%** who disagreed. **29%** of respondents neither agreed nor disagreed, and **5%** reported that they did not know.

Although the plurality of respondents agreed with the proposal, the most prominent qualitative theme was concern about exclusions and narrow eligibility criteria. The majority of respondents felt that important sectors and activities may be unnecessarily excluded, citing the inconsistencies and incompleteness of SIC and HS codes as a tool for identifying products and manufacturing activities.

Some respondents, regardless of whether they agreed or disagreed with the proposal, discussed the need for flexibility in the mechanism used, asking for government to ensure that emerging and evolving activities are not excluded from the scheme. Some respondents worried about the complexity of SIC and HS codes for deciding on eligibility, encouraging the government to consider unintentional impacts.

Where responses were positive, some offered praise for the reliability and operational efficiency of SIC and HS codes. Some respondents were positive about the capacity for international standardisation, classification accuracy, and transparency and auditability. Some respondents, while arguing that SIC and HS codes may not capture everything, noted that they are a useful starting point for deciding eligibility.

Government response

The government intends to proceed with the methodology based on SIC and HS codes. The decision to proceed with this approach is founded in large part on the advantages cited by respondents to this question. Namely, the alignment of SIC and HS codes to international standards, the transparency and auditability of the codes, and their operational efficiency, which is particularly important for a scheme on the scale of BICS.

The government will continue to explore how to apply this approach, to ensure that BICS supports its target sectors to the fullest extent and is not limited by the classification systems used. We will conduct further business engagement and consider the viability of alternative routes in future years. We acknowledge this is particularly important for frontier technology manufacturing businesses. DBT will work collaboratively with DSIT on this. For the first year of delivery, eligibility will strictly be defined by the listed SIC2007 and HS codes.

The SIC 2026 codes will be published in 2026 following which transition arrangements will be confirmed. Based on these the government will look at how to move eligibility criteria of BICS to SIC 2026 codes. We expect to do so as part of the review of BICS in 2030.

There will be an appeals process to ensure that businesses who may be excluded from the scheme in error are given due consideration. Further details on appeals will be published in the second consultation on scheme delivery and in more detailed guidance on the scheme to be published in the coming months.

Question 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.

Consultation response

39% of respondents indicated that they were aware of alternative approaches, compared to **24%** who were not aware of other approaches. **37%** of respondents reported that they did not know.

Free text answers to this question were diverse. Respondents did not agree with each other on an alternative approach. No more than **12%** of respondents discussed any single specific approach.

The most prominent issue raised was a need for flexibility. This was sometimes raised as a desire for a hybrid eligibility model or a flexible application of SIC and HS codes, but others discussed the need for more flexibility on electricity intensity thresholds.

Some respondents supported an innovation- or process-based approach to identification. This would mean using innovation metrics, like research and development (R&D) headcount ratios or patent application rates, to classify advanced manufacturing and aligned sectors.

Similarly, some respondents discussed a narrative-based approach. This meant allowing organisations to submit evidence such as customer sectors served, proportion of revenue linked to priority industries, and descriptions of manufacturing processes, to ensure activity was captured more accurately.

Some respondents conveyed that there should be more opportunities for direct engagement with the eligibility process, with built-in appeal mechanisms. This was sometimes discussed through a proposal for applications where organisations can submit data to prove eligibility or make a case on an ad hoc basis, but more frequently review processes were raised, with respondents asking for such a process to exist regardless of the initial eligibility approach.

A few respondents also took this as an opportunity to express further support for SIC and HS codes, even if only as a starting point.

Government response

The government welcomes the various suggestions from respondents for alternative approaches to identifying business activity. Each suggestion was given due consideration and many aligned with approaches that the policy team had previously considered.

The decision of how to evidence that businesses are operating in eligible sectors is influenced by numerous factors and design principles, including: transparency, objectivity and fairness; simplicity for businesses; accuracy in capturing the desired activities; and feasibility of processing rapidly at scale, to ensure that businesses begin receiving exemptions as soon as possible.

While the government recognises the merits of more detailed application approaches such as a narrative-based approach, this has not been taken forward due to scalability concerns and the difficulty of assessing narrative evidence objectively and fairly for all applicants to a scheme of this size.

Similarly, the government acknowledges the importance of innovation and R&D to driving growth and investment, particularly in frontier industries. However, the government has concluded that tying eligibility directly to R&D metrics would not be appropriate, as there are few existing data sources which can be used to verify these metrics and, depending on the metrics used, some sectors or types of businesses, including SMEs, might be unfairly disadvantaged.

For these reasons, the government reaffirms its commitment to using SIC and HS codes as the primary means of determining eligibility.

As stated above, BICS will include an appeals mechanism to allow businesses to engage directly with the process in certain circumstances. Further detail on this will be included in the second consultation on scheme delivery and more detailed guidance on the scheme to be published in the coming months.

Question 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.

Consultation response

41% of respondents supported defining electricity intensity at business level as electricity expenditure as a proportion of total expenditure, while 24% supported defining electricity expenditure as a proportion of gross value added. 17% gave an alternative definition, and 18% reported that they did not know.

Free text responses to this question were diverse. Where respondents chose the option to give an alternative definition, they frequently did not offer specifics and did not agree with each other on an alternative. The most prominent theme where respondents chose this option (though still only 13% of respondents overall) was a rejection of the business level test proposed in the question. These respondents suggested that the electricity intensity test should be applied at the sector level to avoid excluding strategic manufacturers and ensure a clearer eligibility assessment.

The most prominent theme overall was concern about distortions. Several respondents argued that the most important factor driving which definition should be used was the avoidance of distortions, particularly those distortions that appear when using Gross Value Added (GVA).

Some respondents expressed a need for a definition that is well-established and straightforward to understand, which was typically the GVA option. Some respondents prioritised transparency and auditability.

Government response

The government acknowledges the valuable perspectives shared by respondents about the relative merits of different electricity intensity measures. The government also recognises respondents' concerns about the application of a business-level electricity intensity test, and the possible distortive impact of such a test.

The business-level electricity intensity test was originally proposed as a measure to increase value for money by ensuring that BICS support is targeted to businesses within target sectors which are most impacted by high electricity prices. Since the consultation, the government has carefully considered stakeholder feedback and conducted a detailed assessment of the business-level test's impact, taking into account a wide range of qualitative and quantitative metrics. As modelled, the business-level test did not significantly increase value for money when compared to other mechanisms such as pro-rating exemptions or the minimum threshold of eligible activity. The government also considered the potential distortive effects of the test; for example, the impact on competition between similar businesses who fall on either side of the threshold and concluded that these risks outweighed the potential benefits of the test. Consequently, the government confirms that **there will be no electricity intensity test for individual businesses**, with electricity intensity assessed at the aggregate sectoral level only.

The sectoral electricity-intensity thresholds have been set at a level that maximises the use of the available budget for BICS, allowing as many sectors as possible into scope of the scheme and ensuring that only businesses which will be responsive to the policy lever are eligible. Due to structural differences in levels of energy consumption and investment elasticity between foundational and frontier industries, setting a single threshold across all eligible sectors does not maximise the number of sectors in scope or the potential growth impact of the scheme. For this reason, we will implement two separate electricity thresholds:

- for frontier manufacturing industries, the sectoral electricity intensity threshold will be 0.9%
- for foundational manufacturing industries, the sectoral electricity intensity threshold will be 2.7%

Electricity intensity has been calculated as total sectoral electricity consumption ÷ total sectoral GVA, using ONS data. Annex A contains a list of the SIC codes for sectors which pass this test. This list represents the final list of SIC codes which are eligible for BICS.

Question 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.

Consultation response

45% of respondents agreed with the proposal to pro-rate exemptions, compared to **31%** who disagreed. **15%** of respondents neither agreed nor disagreed, and **9%** reported that they did not know.

Where respondents agreed with the proposal, support for pro-rating was based on 2 factors: the promotion of fairness and the enabling of targeted support. These themes similarly discussed the prevention of distortions and the efficient allocation of resources. Respondents who raised these themes frequently suggested that pro-rating better reflects the actual exposure of eligible business activities.

The most common grievance – and the most common theme overall (raised by **38%** of respondents) – was concern about the administrative burden. These respondents were concerned that pro-rating introduces complexity, requesting that the government give careful consideration to the impact this will have on SMEs. Many of these respondents felt that if pro-rating must occur, guidance must be clear and auditable so companies can easily comply and fraud can be detected.

Some respondents raised the need for whole site exemption. A few respondents suggested that pro-rating would be hard to manage as businesses may change their product mix or activities year-on-year.

Government response

The government recognises respondents' concerns about the administrative complexity of pro-rating, especially for SMEs or businesses making a wide variety of products. For electricity suppliers involved in the administration of BICS, the government recognises that pro-rating could add complexity by creating a wide range of possible exemption values to implement, rather than a binary exemption model.

Many respondents expressed support for an approach based on exempting whole sites if they predominantly carry out eligible manufacturing. These suggestions were based on the premise that modern manufacturing activities are often complex, integrated ecosystems, where the central manufacturing activity cannot easily be separated from supporting activities. Respondents frequently cited Climate Change Agreements as a potential model for how site-based pro-rating could work best for businesses. The government has carefully considered this feedback and recognises the merits of these arguments and the need to ensure the design of BICS is compatible with the reality of manufacturing operations.

To balance the need to allocate support fairly with the imperative to limit complexity for business, the government proposes that exemptions will be pro-rated using a banded *de minimis* approach administered on a site-by-site basis. For the purposes of pro-rating, a

manufacturing site refers to a location where manufacturing takes place and which is owned, leased or controlled by the applying business, and includes facilities used by applying businesses which are part of larger areas such as industrial estates or ports.

If a business wishes to claim BICS support for a manufacturing site, they will need to provide details of all import Metering Point Administration Numbers (MPANs) related to the site, and evidence of the proportion of electricity consumed at the site which relates to eligible production processes (that is, manufacturing of a product on the HS code list). The ratio of these 2 figures will determine the value of the exemption received, as follows:

- if less than 25% of electricity usage at the site relates to eligible manufacturing, no exemption is awarded
- if between 25% and 50% of electricity usage at the site relates to eligible manufacturing, a 50% exemption from the relevant levy costs is applied to all import MPANs on the site
- if 50% or more of electricity usage at the site relates to eligible manufacturing, a 100% exemption from the relevant levy costs is applied to all import MPANs on the site

This design was informed by consultation feedback and is intended to balance the fairness of a targeted model with the need to provide clarity and simplicity for businesses and delivery stakeholders.

The detailed guidance for the scheme will provide more information about how sites are defined, how different types of activity should be treated, and how the calculation is carried out. There will be a process to manage instances where sites and/or electricity meters are shared by multiple parties; in these cases, only the applicant's share of the site and/or MPAN will be taken into account for the calculation.

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

Consultation response

51% of respondents favoured using the proportion of energy generated by eligible products, while **13%** favoured using the proportion of revenue used in the manufacture of eligible products. **13%** gave another approach, and **23%** reported that they did not know.

Where respondents favoured energy-based pro-rating – or discussed this approach favourably while selecting a different option – this was most frequently justified through reference to its fairness and pertinence for BICS. Several respondents highlighted that using energy usage to pro-rate is fair because it directly reflects the cost exposure that the scheme is intended to address.

Where respondents explicitly addressed issues with energy-based pro-rating, they discussed its complexity. Some respondents noted that it is cumbersome, difficult to measure, and results in high administration costs.

Where respondents favoured revenue-based pro-rating – or discussed this approach favourably while selecting a different option – this was most frequently justified through reference to its practicality. These respondents highlighted that using revenue generated by eligible products is administratively efficient, is easier for SMEs to provide, and aligns with business reporting practices.

Where respondents explicitly addressed issues with revenue-based pro-rating, they discussed its distortive effects. A few respondents suggested that this approach could be distorted by raw material pricing and market volatility unrelated to electricity consumption.

Several and diverse alternative approaches were proposed. These include: a site-based approach; fixed tiers of exemption; and smaller companies receiving straightforward access while large companies undergo detailed assessments.

Government response

The government notes stakeholders' clear preference for pro-rating based on electricity usage in manufacturing eligible products, as opposed to revenue generated by eligible products, and confirms that pro-rating will use the former approach.

The government acknowledges stakeholders' suggestions for alternative approaches, including a site-based approach and fixed tiers of exemption. The final proposed approach to pro-rating, as set out in the government response to question 7, combines these 2 suggestions, with 3 fixed tiers of exemption (0, 50% and 100%) applied at site level. This approach is intended to mitigate the concerns raised by stakeholders about the administrative complexity of electricity-usage-based pro-rating by providing a simplified design.

Question 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)?

Consultation response

The majority of respondents suggested that a minimum threshold for eligible activity should be implemented to decide on exemptions. These respondents considered that this threshold could be based on revenue, electricity consumption, or site-level activity.

No other specific approach received significant attention. Some respondents, though, discussed the need for eligibility to be considered separately for each site within a business.

The other prominent themes were concerns about introducing a minimum threshold. Some respondents discussed the need to manage the administrative burden, suggesting that the complexity of implementing more detailed eligibility criteria should be considered. A few respondents highlighted the importance of designing minimum thresholds carefully to account for differences between sectors.

Government response

The government considered responses to this question alongside those for questions 7 and 8, as these questions all relate to pro-rating and its alternatives. Responses to this question showed a positive reception to the notion of a minimum threshold of eligible activity (with many again advocating for a site-based approach) and reiterated concerns about design complexity; these themes influenced the final pro-rating design as set out in the response to question 7.

Question 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.

Consultation response

30% of respondents believed that the scheme should include additional ongoing cost controls, compared to **42%** who believed it should not. **28%** of respondents reported that they did not know.

Where respondents argued for additional cost controls – or gave positive reflections while selecting a different option – their responses most frequently discussed the need for these for budgetary reasons. These respondents suggested that cost controls should cap total scheme exposure transparently, avoid abrupt eligibility changes, and provide multi-year forward visibility. For these respondents, this was helpful to prevent future cost escalation.

Some respondents raised that cost controls will protect ineligible businesses by ensuring that excessive scheme costs are not applied to other electricity users.

Where respondents argued against additional cost controls – or gave negative reflections while selecting a different option – their responses most frequently discussed the effect cost controls would have in undermining investment confidence and certainty. These respondents typically discussed the risk to investment signals, especially for start-ups, and raised the risk of delays to investment already planned, undermining the scheme's objectives.

Some respondents raised that cost controls create administrative and financial burden, especially for smaller businesses. These respondents were typically concerned about the effect cost controls would have on the accessibility of an already complex scheme.

Question 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.

Consultation response

Three themes were raised several times in response to this question.

Several respondents believed that, if poorly implemented, cost control measures could negatively impact investor confidence and disrupt long-term business planning. For some of these respondents, varying exemption levels year-to-year would also complicate financial planning, especially for long-lived assets like cement plants.

Several respondents were concerned about the increased administrative burden, which would potentially deter organisations from participation in the scheme. For some of these respondents, further consultation and clarity is required in order to prevent unnecessary complexity.

Several respondents discussed the need for clarity and transparency to provide certainty for manufacturers and protect other electricity users. For many of these respondents, predictable controls should reduce cross-subsidy risk, support electrification, and limit operational burden.

Further, some respondents were concerned that cost controls could disproportionately burden ineligible businesses, affecting their growth, investment, and operations.

Government response to questions 10 and 11

The government thanks businesses for their engagement with questions 10 and 11. The government shares the opinion of many respondents that cost control measures are necessary to avoid increasing costs for ineligible businesses and other energy users.

In response to requests for clarity and transparency around the scheme and its scale, the government has set out indicative estimates of the expected size of the scheme. Based on current assumptions, the scheme is expected to be around £600 million on average p.a., with over 10,000¹ businesses eligible for support of around £35 to £40/MWh. These estimates are subject to final scheme design and consumption forecasts.

The eligibility criteria and thresholds for BICS have been set to make the best use of the available budget, bringing as many sectors into scope as possible while minimising the risk of overspend by creating an appropriate level of headroom. These decisions have been made based on detailed forecasting of expected electricity consumption and costs of the three levies in scope of BICS, using the latest available data. The government is confident that this approach will not result in BICS exceeding its budget. However, since all forecasting involves a degree of uncertainty, the government may need to change certain parameters of the scheme if subsequent forecasts show an increased risk of overspend.

In the unlikely event that this occurs, the government would administer a reduction in the level of exemption that businesses receive. This adjustment could be applied on an annual basis from the second year of the scheme onwards (from April 2028 for the Renewables Obligation and Feed-In Tariffs exemptions, and from October 2028 for the Capacity Market exemption).

By way of example, a uniform reduction in exemption levels could be applied across all eligible firms: a business receiving 100% exemptions in the first year might receive a 98% exemption in the second year, while a business receiving a 50% exemption in the first year might receive 48% in the second year. Any changes to the exemption level would be communicated to businesses well in advance of taking effect, and no additional administrative effort from businesses would be required.

The government recognises that, for the scheme to lead to a meaningful increase in investment, businesses need certainty that they can rely on support in the medium to long term, and that eligibility criteria or exemption levels will not change unpredictably or overly frequently. Minimising administrative burden for businesses has been a key design principle of the scheme since its inception, and the government recognises that cost control measures must not undermine this by creating additional reporting requirements for businesses. The approach outlined above has been chosen because it allows for costs to be controlled effectively while minimising the disruption to businesses.

¹ The number of eligible businesses is estimated using Company, Enterprise and Reporting Unit counts from Companies House and Interdepartmental Business Register ([Companies House, Inter-Departmental Business Register \(IDBR\) - Office for National Statistics](#)), adjusted to account for BICS eligibility. For a business to be eligible for BICS, it needs to operate in an eligible sector, defined by its Standard Industrial Classification (SIC) at a 4-digit level ([UK SIC 2007 - Office for National Statistics](#)) and make an eligible product, defined by Harmonised System (HS) codes at the 6-digit level ([World Customs Organization](#)). Due to the targeted nature of BICS towards specific sectors and products, the business counts at a SIC 4-digit level for eligible sectors need to be further refined to reflect the inclusion of HS codes in BICS eligibility. This analysis uses ONS PRODCOM data on the value of production at a PRODCOM level to apportion SIC 4 estimates to account for HS eligibility. In their annual PRODCOM publication ([UK manufacturers' sales by product - Office for National Statistics](#)), ONS provide an implicit look-up for PRODCOM to associated HS codes. Since PRODCOM codes are directly related to SIC codes, with the first 4-digits of a PRODCOM code being the 4-digit SIC it is associated with, this provides us with a way of relating the value of products produced within a SIC sector and HS products associated. Where look-up values for some PRODCOM to HS are not available from ONS data, we use Eurostat CPA concordance table ([Correspondence tables - CPA - Eurostat](#)) to supplement the look-up derived from ONS PRODCOM data. Combining this with business-level ONS PRODCOM microdata provides a means of assessing the impacts of including HS codes in eligibility on business counts at a SIC 4-digit level. An impact assessment will be published alongside the legislation.

Question 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.

Consultation response

33% of respondents agreed that linking eligibility or exemption levels to energy efficiency improvements or flexibility-ready investments should be considered as part of the 2030 review, compared to **34%** who disagreed. **23%** of respondents neither agreed nor disagreed, and **11%** reported that they did not know.

Where respondents agreed with the principle – or gave positive reflections while selecting a different option – several discussed the positive effect on sustainability. These respondents typically asserted that linking scheme eligibility to investments in energy efficiency improvements and smart system retrofits can produce long-term sustainability and system benefits. Several respondents discussed the proposal in terms of fairness, noting that rewards should be given for these investments considering substantial capital spend and business process changes.

Where respondents disagreed with the principle – or gave negative reflections while selecting a different option – their responses were more varied. Several respondents expressed concern that the added complexity creates exclusion risks, particularly for businesses with limited ability to adjust their consumption. Some respondents worried that adding criteria for energy efficiency investments would increase the burden of scheme participation and discourage business take-up, notably among SMEs. Some respondents were concerned that there may be overlap with existing schemes that already encourage energy efficiency and decarbonisation actions.

More neutrally, some respondents asked for some further analysis to support the consideration of these options.

Government response

The government is grateful for respondents’ engagement with this question and notes the range of perspectives on the issue of linking eligibility to energy efficiency and flexibility.

In recognition of the potential benefits highlighted by stakeholders, including decarbonisation and energy security benefits, the government intends to keep this option under consideration for the 2030 review of BICS.

In that review, the government will give detailed consideration to the respondents’ arguments for and against linking BICS eligibility to energy flexibility measures, including the impact on SMEs and interaction with other government incentives for energy flexibility. The government will also consider this question in the context of wider energy policy in 2030 to assess if the benefits of this linkage would be commensurate with the impact on BICS beneficiaries.

Question 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?

Consultation Response

Three themes, representing three pieces of evidence that businesses could provide, were mentioned in several responses. These were:

- production records and output data
- existing financial records, corporate reporting, and audited accounts
- energy consumption data and offshore electrification

A few respondents asserted that any process for determining eligibility should be designed to avoid unnecessary administrative burden.

Government response

Policy, digital and operational teams are working to develop a delivery model which minimises administrative requirements for businesses, including using existing sources of data, where possible, to validate eligibility and reduce the requirement for businesses to provide large amounts of information. Further detail on this will be provided in the second consultation on scheme delivery and set out in guidance in the coming months.

Question 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.

Consultation response

40% of respondents indicated that they were aware of barriers that could make proving eligibility at a meter level challenging, compared to **60%** who were not aware of such barriers.

Several respondents raised building-level and sub-metering challenges as a barrier. These included shared meters, corporate structures, legacy facilities, and old sites.

Some respondents worried about bureaucratic complexity. Some respondents were concerned about legal and structural challenges, including organisational structure.

Government response

The government has reviewed responses to this question in detail to understand the range of site and metering arrangements which could create complexity for businesses applying for BICS.

As the government continues to develop the implementation model for BICS, these scenarios will be taken into account. The government will publish detailed guidance in the coming months to explain the requirements and process for businesses with complex or unusual meter arrangements.

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

Consultation response

Several respondents raised that suppliers would need to adjust billing arrangements, with existing billing systems being used. For most of these respondents, following the awarding of the certificate, the exemption would be shared with the supplier who would apply it directly to the invoice and provide line-item discounts.

The theme was extended by some respondents. Some respondents suggested that exemptions should be applied automatically and directly to bills using existing billing systems and mechanisms. For these respondents, certificates should follow a standard format, with a minimum lead time of 12 months prior, to assess forecast reductions to ensure billing system changes are implemented.

Again, on the theme of billing adjustments, some respondents suggested that suppliers apply levy exemptions to specified MPANs using the certified exemption percentage and effective dates.

Several respondents referred more generally to the need to use existing models and pre-established processes to ensure efficient implementation, including processes and lessons learned for the EII Scheme.

Government response

The government is grateful to respondents for their engagement with this question and recognises the importance of learning from previous schemes and using existing models and processes, where appropriate, to ensure efficient and proportionate implementation.

We acknowledge that electricity suppliers may pass through exemptions to businesses in different ways, for example through billing adjustments, pricing mechanisms or contractual changes. In line with respondents' views, the government recognises the benefits of using existing systems and mechanisms where possible.

We can confirm that how suppliers choose to pass on exemptions to eligible businesses will be at their discretion. However, we will provide further guidance to suppliers on the available options for doing so.

We also note suggestions that suppliers prefer exemptions to be applied with certified exemption percentages at MPAN level. We will address this in the response to question 16.

Through respondents and further engagement with suppliers, we have heard about the importance of clarity regarding supplier responsibilities and the operation of the scheme in practice, as well as the need for timely and standardised information to support system and billing changes. Further detail on supplier roles, information requirements and delivery processes will be set out in the upcoming second consultation on scheme delivery.

Question 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.

Consultation response

The most frequent response was that suppliers need a clear and minimal set of standard information. Typically, this would include a standardised exemption certificate, business name, registration number, relevant MPANs, exemption percentage, certificate ID, start and end dates, and contact point for queries. This should be provided well in advance of scheme commencement.

More generally, some respondents highlighted the importance of suppliers having a clear understanding of processes. To cost-effectively implement exemptions, suppliers require a clear explanation of scheme design, payment reconciliation processes, and periods that apply, with plenty of notice (12 months, the most frequent specific answer on notice).

Some respondents raised the need for suppliers to apply exemptions quickly and raise awareness of the scheme to reach all sizes of manufacturing business. For these respondents, early visibility of eligible customer volumes and total electricity volumes likely to be covered are essential for accurate forecasting and pricing.

Government response

The government recognises the importance of efficiently providing suppliers with a clear, minimal and standardised set of information to support cost-effective implementation of exemptions.

We are proposing that eligibility information will be shared with suppliers and delivery bodies in the form of eligible business details, eligible electricity meters, the applicable exemption, and the relevant start and end dates for the exemption. This may be adjusted as we continue to engage with suppliers and delivery bodies on design, data availability and through the second consultation on scheme delivery. We are exploring how we can best share standardised eligibility confirmation outputs with suppliers and delivery bodies, making this available where it is needed, to support consistent and efficient delivery across the market.

We have also heard respondents' views on the importance and urgency of early visibility of eligible customer numbers and the total electricity volumes likely to be covered by the scheme, to support accurate forecasting and pricing. In response, the government has included information on eligible customers and market-wide demand volumes in this consultation.

The government recognises the importance of suppliers having a clear understanding of scheme processes, including scheme design, reconciliation arrangements and the periods to which exemptions apply. We are actively engaging with suppliers to ensure that information is provided in a timely manner and that sufficient notice is given in advance of scheme commencement to support system, billing and operational changes. As noted in the previous answer, further details of proposed processes, information flows and delivery timelines will be set out in the forthcoming consultation on scheme delivery.

Finally, the government notes respondents' views that for scheme to reach manufacturing businesses of all sizes, awareness building is required. We will undertake communications and stakeholder engagement activity to support awareness and understanding of the scheme as it is developed and provide clarity to suppliers to allow them to communicate changes as a result of the scheme to their customers.

Conclusion and next steps

Following the conclusion of this consultation, the government intends to take forward the proposed criteria for determining eligibility for the scheme. Alongside this response, the government has launched a consultation on the regulatory changes required to give effect to BICS and how we propose the scheme will be delivered. The consultation will run for 4 weeks, closing on 14 May 2026.

The government intends to implement BICS by amending the existing secondary legislation establishing the RO, FIT and CM. These changes are expected to be made by Autumn 2026 following a further consultation, subject to parliamentary approval and completion of subsidy control procedures.

All secondary legislation is subject to publication of a full impact assessment, which is scrutinised by the Regulatory Policy Committee. We expect this to be published in Autumn alongside the statutory instruments.

The government will continue to work to develop future policies to address electricity costs and support non-domestic electrification, working together across departments to ensure alignment across schemes and a coherent overall offer for businesses.

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