EXPLANATORY MEMORANDUM TO

THE ENERGY-INTENSIVE INDUSTRY ELECTRICITY SUPPORT PAYMENTS AND LEVY (AMENDMENT) REGULATIONS 2026

2026 No. [XXXX]

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Business & Trade and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Chris McDonald, Minister for Industry at the Department for Business & Trade and Department for Energy Security & Net Zero confirms that this Explanatory Memorandum meets the required standard.

2.2 Neil Hodgson, Deputy Director for the Energy Intensive Industries Team, at the Department for Business & Trade confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 James Lewis at the Department for Business & Trade can be contacted by email at the following address with any queries regarding the instrument: EII.correspondence@businessandtrade.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The legislation will increase the level of compensation offered through the Network Charging Compensation (NCC) Scheme from 60% to 90% from 1st April 2026. It will also extend the length of the NCC Scheme's application window from one month to two months.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales and Scotland.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales and Scotland.

5. Policy Context

What is being done and why?

5.1 The policy objective is to support the most electricity-intensive industries with the highest electricity costs. These businesses are disproportionately impacted by high electricity prices due to the volume of consumption and their inability to pass on costs to their customers as they operate within highly internationally traded sectors. International competitors face lower electricity costs than their GB equivalents, for example, because they operate in jurisdictions with less stringent environmental regulations, most notably in countries outside of the EU, leading to lower associated policy costs, or because they benefit from more generous subsidies for these costs than offered in GB.

5.2 The instrument aims to increase the level of relief offered through the NCC Scheme, which forms part of the British Industry Supercharger package of measures designed to reduce industrial electricity prices for the most energy intensive sectors. By increasing the level of relief offered via the NCC Scheme, the Government aims to further reduce the risk of carbon leakage and retain critical foundational manufacturing investment and jobs within Great Britain.

What was the previous policy, how is this different?

5.3 In 2024, the Department for Business and Trade (DBT) delivered the British Industry Supercharger package of measures, which included the NCC Scheme. This policy initially offered 60% compensation on electricity network charges. However, since the implementation of the policy, additional evidence has emerged which indicates that EIIs still face high electricity prices even with existing support from the Supercharger. As a result, the Government announced in the Modern Industrial Strategy published in June 2025 that the level of relief offered through the NCC Scheme would be increased from 60% to 90% from 2026. This instrument will mitigate the risk of carbon leakage through increasing the level of compensation eligible EIIs receive for a portion of their network charging costs. An amendment to legislation is necessary because the level of compensation is set out in the Energy-Intensive Industry Electricity Support Payments and Levy Regulations 2024 (“the EII support payment regulations”).

5.4 The NCC Scheme when initially designed had fixed quarterly application windows of one month where applicants could submit claims for compensation on electricity network charges incurred over the previous three months. However, due to the constraints of the scheme as was set out in legislation, EIIs that failed to submit a claim within the month-long application window risked losing access to three months’ worth of compensation from network costs, given retrospective applications are not possible. In order to provide EIIs with greater flexibility, the Government consulted on extending the quarterly application windows to two months. An amendment to legislation is necessary since the length of the application windows are set out in the EII support payment regulations.

6. Legislative and Legal Context

How has the law changed?

6.1 This amendment is being made by making minor textual amendments to the EII support payment regulations, relying on the powers conferred on the Secretary of State by sections 211 and 212 and 331 of the Energy Act 2023.

Why was this approach taken to change the law?

6.2 This is the only possible approach to make the necessary legislative changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 On 18 July 2025, DBT launched a consultation to seek views on the amending the EII NCC Scheme. Through the consultation, DBT sought views and evidence from a wide range of audiences, including EIIs (whether currently benefitting or not from the existing exemption scheme in respect of renewables costs), other electricity consumers, trade bodies, energy suppliers, consumer associations, the devolved administrations, and other interested parties.

7.2 DBT sought views on:

- Increasing the level of relief offered by the NCC Scheme from 60% to 90%; and
- Extending the length of the quarterly application windows from one month to two months.

7.3 Stakeholders were provided with an opportunity to provide their views and evidence to the questions posed.

7.4 The 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.

7.5 The consultation ran for 4 weeks and closed on 15 August 2025. A total of 64 responses were received from stakeholders, including EII companies, business representative organisations, trade associations, energy suppliers and others. Overall, responses represented the views of over 2000 organisations, when taking into account bodies who answered on behalf of multiple members.

7.6 The majority of responses were positive and confirmed our intention to deliver the proposed policy. Respondents agreed that supporting EIIs for a portion of their network charging costs will achieve the Government's aims to ensure that these industries can remain competitive.

7.7 A link to the full consultation summary can be found at: https://www.gov.uk/government/consultations/network-charging-compensation-scheme-uplift-for-energy-intensive-industries

8. Applicable Guidance

8.1 DBT's guidance on applying for the British Industry Supercharger package of measures will be amended before April 2026 to reflect the higher level of relief offered through the NCC Scheme.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment is submitted with this memorandum and published alongside the Explanatory Memorandum on the legislation.gov.uk website.

Impact on businesses, charities and voluntary bodies

9.2 The impact on business, charities or voluntary bodies is expected to be limited. The NCC Scheme is funded via the EII Support Levy, a levy on all licensed electricity suppliers, who pass the costs through to their domestic and non-domestic customers. Any uplift to the NCC Scheme would therefore be passed onto other energy users via the EII Support Levy. However, the Government will take measures to bear down on costs to ensure other energy users do not see a net increase in their electricity bills as a result of this measure. In October 2025, the Department for Energy Security and Net Zero (DESNZ) published consultations seeking views on proposals to amend the inflation indexation of the RO and FIT schemes. Lowering levy costs through reforms such as these will support wider UK government priorities, including efforts to reduce industrial electricity prices. The Industrial Strategy, launched in June 2025, set out a series of electricity price relief schemes, with a commitment to fund these through reductions in levies and other energy system costs. The proposals in the indexation consultations, if implemented, could contribute to that goal. Furthermore, any small businesses that qualify for the British Industry Supercharger would be a beneficiary of the increased relief offered through the NCC Scheme.

9.3 The legislation does impact small or micro businesses.

9.4 Any small business that qualifies for the British Industry Supercharger stands to benefit from the uplift in relief offered through the NCC Scheme. Furthermore, the Government has committed to taking action to offset the increase costs of the measure for other energy users (including small/micro businesses) so they do not see a net increase in their electricity bills as a result of this measure.

9.5 The impact on the public sector is expected to be limited. As set out above, the Government has committed to taking action to offset the increase costs of the measure for other energy users (including the public sector), so they do not see a net increase in their electricity bills as a result of this measure.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 As with previous instruments amending the 2015 Regulations, this instrument is not required to include a statutory review clause as the exemption in section 28(3) of the Small Business, Enterprise and Employment Act 2015 (SBEE Act) applies. This is on the basis that the instrument falls within the exemption in section 28(3)(c) as it amends provision in connection with the giving of financial assistance to EIIs. However, in 2024, DBT previously committed to undertake an evaluation and review of the EII exemption scheme within five years as part of a review of the British Industry Supercharger, to assess whether the support continues to achieve the policy objective of reducing the risk of carbon leakage and supporting the competitiveness of energy intensive industries. This review will take account of market conditions, industrial electricity prices, effectiveness of the scheme for the first five years and any wider policies which will have been implemented which may have a material impact.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Minister for Industry has made the following statement regarding Human Rights: "In my view the provisions of The Energy-Intensive Industry Electricity Support Payments and Levy (Amendment) Regulations 2026 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").