

# DELIVERING THE BRITISH INDUSTRIAL COMPETITIVENESS SCHEME





# Introduction

This Budget comes at a pivotal moment for the economy. The Government faces a challenging fiscal situation. But the only path to stronger public finances is through stronger economic performance. The UK must find a route back to business investment and sustained productivity growth to secure its long-term fiscal stability. That means focusing on the sectors that can deliver impactful returns.

The UK must find a route back to business investment and sustained productivity growth to secure its long-term fiscal stability. That means focusing on the sectors that can deliver impactful returns. Manufacturing is critical to achieving economic growth. It anchors supply chains, drives innovation, and delivers high-value, regional employment. It underpins economic security and supports the energy transition. A more competitive manufacturing base is essential to unlocking productivity and securing investment.

The cost of energy has remained a primary concern for UK manufacturers with over half of our membership classifying it as their biggest challenge over the coming years. The

escalating burden of energy prices is playing a determining role on companies' profitability particularly when coupled with a challenging business environment characterised by heightened capital costs and inconsistent demand.

The British Industrial Competitiveness Scheme (BICS) could transform the UK's industrial landscape. But with funding and implementation uncertain, the opportunity is slipping away. Manufacturers are seeing other countries acting faster and more decisively. Without action, the UK will continue to face higher energy costs, weaker investment, and the managed decline of key industries.<sup>1</sup>

<sup>1</sup>Output in the UK's energy-intensive industries has fallen by around one third since 2021, reaching a 35-year low (Office for National Statistics, *The impact of higher energy costs on UK businesses: 2021 to 2024*)



# Why now

The Government has made clear its ambition to reduce energy costs, particularly for industry. Yet UK manufacturers continue to face electricity costs more than 60% higher than the International Energy Agency member countries' median, and the highest in the G7. These costs are projected to rise further as new transmission investments and the financing of new nuclear power feed into bills.<sup>2</sup> This persistent disparity erodes industrial competitiveness and hampers investment.

The lack of response to rising costs since the 2022 crisis has led to Britain's industrial core having to continually adapt to the challenging business environment hampering competitiveness and reducing production. This comes down to failure to take fundamental structural decisions in an efficient manner exposing industry to future price shocks led by fossil fuels.

This has been exemplified by the conflict in the Middle East which could put the country on course for deindustrialisation if sufficient action isn't taken. The conflict in the Middle East has seen oil and gas production across the region, LNG capability in Qatar and key shipping lanes such as the Strait of Hormuz being targeted, creating uncertainty and

price increases in global energy markets. This has led to the global benchmark oil price, Brent crude, rising to above \$120 (£89) a barrel and briefly hitting \$122, its highest price since 2022<sup>3</sup> and the month-ahead UK wholesale gas price hitting 172p a therm, the highest level since August 2022.<sup>4</sup>

Forecasts from Cornwall Insight have shown that business energy costs are set to soar, with electricity bills increasing by an average of 10% to 30% since late February, depending on sector and the size of the organisation. Gas price rises are steeper still, with Cornwall Insight forecasts showing bill increases of between 25% and 80%, as the ongoing conflict in the Middle East continues to drive wholesale prices higher.<sup>5</sup>

<sup>2</sup>Industrial energy price statistics

<sup>3</sup>Oil price briefly hits \$120 after reports of 'extended' Iran blockade - BBC News

<sup>4</sup>Oil and gas prices jump after Iran and Israel attack gasfields | Oil | The Guardian

<sup>5</sup>Cornwall Insight analysis

## Delivering the British Industrial Competitiveness Scheme

Worryingly, our analysis has found manufacturers may not have faced the full impacts of rising costs due to the timing of upcoming contract renewals. The data indicates that there is a pinch point at the end of 2026 and early into 2027 which could significantly change the complexion of the crisis plunging the UK into further economic difficulty if not correctly addressed.

Our data has shown that 13% of manufacturers are feeling that projected energy cost rises could be life threatening to their operations. If this were to close those businesses then Make UK estimates that a 13% decline in UK manufacturing activity would result in a £85bn annual loss for the UK, with the majority of that loss, ~£50bn, occurring within supply chains for which the sector is a customer, and the loss of the worker spending impacts to their relevant local economies. This indicates how important it will be to address cost pressures effectively to sustain a productive manufacturing sector and create more economic growth.

Restoring growth and productivity through investment and competitiveness will be critical. The BICS is one of the most important, practical levers available to achieve that goal.

### **Tackling electricity prices for industry will make a significant contribution to meeting the Government's overriding objective: to deliver economic growth.**

Cheaper electricity is essential to enable the Government's ambitions to unlock investment, productivity and exports. Providing long-term price support would allow manufacturers to invest in the very technologies and sectors the UK needs to scale.

However, timing is crucial. **If delayed, the scheme's impact will be reduced. Energy costs are due to rise significantly due to the current crisis and additional non-commodity costs.** The costs of new transmission investment and nuclear power hit energy bills in April 2026 causing costs to rise by £300,000 a year for large energy users, and by £450,000 by 2030.<sup>6</sup> With delivery not until at least 2027, **any benefits will arrive too late to have an impact in this Parliament and may be cancelled out by predicted increases.**

To deliver growth, support must focus on the sectors that create jobs and drive regional prosperity. Manufacturing underpins productivity in the very parts of the country where economic renewal is most needed. Targeted support for energy bills would strengthen these regional industrial heartlands, creating long-term, high-quality employment, and rapid regional growth.

In a fiscally constrained economy, the cost of inaction is far greater than the cost of delivery. Industrial decline brings lost tax revenues, higher unemployment costs, and ultimately expensive emergency interventions to save strategically important firms.<sup>7</sup>

<sup>6</sup>Cornwall Insight [analysis](#).

<sup>7</sup>In 2025, 51% of manufacturers [cited](#) energy costs as their biggest risk. Facilities like the Ineos Grangemouth refinery, Electric Glass Fiber UK and Royal Stafford all closed in the last year, with high energy costs a major driver.

# Recommendations

This paper sets out two recommendations to support the implementation of the BICS.

## – First, expanding eligibility for the BICS to all manufacturing businesses.

The current eligibility limits support to a narrow group of manufacturers. Too narrow to deliver the Government's ambition for growth, productivity, and competitiveness. A broader scheme would unlock far greater economic benefits. Every £10 reduction per MWh in energy bills across manufacturing as a whole boosts the economy by £800m (0.03%) a year if sustained over the medium-term.

Broadening the BICS to all manufacturers<sup>9</sup> would benefit **130,000 businesses, so that the vast majority of output in the manufacturing sector benefits, rather than only 40%** (by GVA). It would grow the economy by £3.3bn a year over the medium-term (0.12% of GDP). The cost to the Exchequer would be £3.3bn a year.

This expansion would reach the most strategically important industrial firms and some of the most electricity-intensive parts of manufacturing, including those in the North West, Midlands and Wales.

## – Second, providing funding certainty for the scheme using existing and forecast revenue streams.

The single biggest obstacle to delivery of the BICS is funding. When first announced, funding was promised, but the funding mechanisms were unclear. **Without a funding plan, the BICS cannot be relied upon, and the UK will continue to fall behind international competitors.** With implementation in 2027, the economic benefits are already at risk of arriving too late to be felt within this Parliament.

The most efficient and fair way to fund the policy is by general taxation. Within a constrained fiscal environment this may be difficult. Funding the BICS by a levy on others' electricity or gas bills must be ruled out. This would unfairly raise energy bills for households and businesses.

However, a practical solution is possible. Together, this could fully fund the BICS within the fiscal rules.

- **In the medium to long-term, the scheme should be funded through new revenue streams. Carbon prices** have increased by a third since March (and the previous forecast), which could raise £500m in 2029-30. As promised at announcement, **linking the UK ETS to the EU ETS** could raise a further £400m. Combined, this could offset a significant portion of scheme costs in 2029-30.
- **Temporary borrowing in the short-term can bridge to these new revenue schemes.** This is manageable given the resulting boost to productivity and growth, coupled with additional unlocked investment and the contribution to bringing down inflation. The cost of the scheme represents 3% of overall borrowing in 2026-27, limiting any risk to the gilt markets.
- The Government should **identify further long-term funding via the Government's announced proposed savings from reforms to the energy system and 'bearing down on system costs'**. It is critical that only real-money certain savings from energy system reforms are factored in as funding sources. The route to passing these savings on to manufacturers must be clear and deliverable before the next election. Manufacturers do not want to rely on subsidies. The Government should develop a long-term plan for bringing down industrial energy prices for good, without the need for subsidy.

Together, these policies mean more businesses would feel the benefits, unlocking greater and immediate economic impacts. Deliverability is now chiefly a question of political will, not technical feasibility. The impact of this package is GDP-wide. **It would grow the economy by £3.3bn a year over the medium-term (0.12% of GDP) and generate £1.4bn of additional tax revenues for the Exchequer.**

<sup>9</sup>We have defined manufacturing businesses as the manufacturing activities within the definition of industrial energy consumption in DESNZ's energy consumption statistics release, i.e. excluding manufacture of coke and refined petroleum products. The sectors included represent 99% of manufacturing GVA as recorded in the ONS's supply-use tables.

# Policy Analysis

## RECOMMENDATION 1

### EXPAND ELIGIBILITY FOR THE BICS TO ALL MANUFACTURERS

High electricity prices remain one of the biggest barriers to manufacturing competitiveness in the UK. Across every subsector, manufacturers face costs that are among the highest in Europe – over 60% above the International Energy Agency median and the highest in the G7.<sup>9</sup> These will continue to increase as the costs of new transmission investment and new nuclear power are added to energy bills. These persistently higher prices are eroding margins, deterring investment, and constraining productivity growth across the economy.

The Government's commitment in the Industrial Strategy to introduce the British Industrial Competitiveness Scheme was strongly welcomed by industry. Properly designed and implemented, it can deliver the stable, lower-cost energy environment needed to unlock growth, investment, and innovation in UK manufacturing.

However, as currently designed, the BICS is expected to support only 10,000 advanced manufacturing businesses. This is too narrow a focus to achieve the Government's objectives. It would leave most manufacturers still facing an unsustainable cost disadvantage, undermining the competitiveness the BICS is aiming to restore.

Expanding eligibility to include **all manufacturing businesses** would ensure that the BICS supports all uses of industrial energy in the sector. This would extend the benefits of lower electricity prices to even more of the firms that drive productivity, exports and good jobs across the UK's industrial heartlands.

#### How would this work?

Eligibility for the BICS can be determined using **Standard Industrial Classification (SIC) codes** to identify the sectors to support.<sup>10</sup> Firms would be required to demonstrate that at least 50% of their revenues came from the eligible activities. The Energy Bill Discount Scheme (EBDS), set up rapidly to provide support to businesses during the energy crisis, provides a framework for how the BICS support could be rolled out to manufacturers.

Manufacturers would apply to an online portal operated by DESNZ or HMRC, providing their Companies House number, relevant SIC codes, and, where needed, supporting evidence. Once approved, businesses would receive a BICS eligibility certificate linked to their electricity supply contracts or meter points. This information could then be transferred automatically to licensed electricity suppliers through a secure government-supplier data interface, ensuring minimal administrative burden for business.

The energy crisis demonstrated that the infrastructure to provide energy price support through suppliers is efficient and can be set up rapidly. Critically, once a manufacturer has proved its eligibility, **no further action is needed from them**. The Government can require licensed suppliers to apply per-unit discounts (i.e. £40/MWh) to eligible customers' bills, and reimburse them directly. For the BICS, the same mechanism could apply:

- Suppliers receive a verified list of eligible manufacturers and their associated meter points from government.
- They apply a £40/MWh discount on all eligible electricity consumption for those customers.
- The discount is clearly itemised on bills, but the process is automatic for the business.
- Suppliers are reimbursed by government through a regular claims process, supported by audit and reconciliation checks.

#### What are the impacts?

Expanding the BICS to include all manufacturing businesses<sup>11</sup> would extend lower electricity prices to **130,000 manufacturers**, covering **virtually all output in the manufacturing sector**. This would support nearly 20 times as many businesses as the current design.

The economic impact would be significant: **GDP would grow by around £3.3bn per year in the medium-term (0.12% of GDP)**, while investment and employment would rise across energy-intensive industrial regions, particularly in the North West, Midlands and Wales. The expanded scheme

<sup>9</sup>Industrial energy price statistics

<sup>10</sup>Standard Industrial Classification codes

<sup>11</sup>We have defined manufacturing businesses as the manufacturing activities within the definition of industrial energy consumption in DESNZ's energy consumption statistics release, i.e. excluding manufacture of coke and refined petroleum products. The sectors included represent 99% of manufacturing GVA as recorded in the ONS's supply-use Tables.

would also support the Government's aim for productivity and good jobs outside London.

The cost to the Exchequer would be **£3.3bn a year**, but **£1.4bn a year in additional tax revenues would be generated** thanks to higher GDP in the medium-term, significantly reducing the net cost of the scheme.

Critically, this proposal:

- Offers direct and targeted energy-price reductions to more manufacturers – the very businesses generating economic growth;
- Tackles one of the largest cost components driving the UK's competitiveness gap;
- Supports long-term investment planning and productivity improvements in energy-intensive sectors;

## RECOMMENDATION 2 PROVIDE FUNDING CERTAINTY

The single biggest obstacle to delivery of the BICS is the lack of a clear, credible funding plan. At the time of announcement, the Government confirmed funding was secured for the scheme. The commitment to draw on UK Emissions Trading Scheme (ETS) revenues and proceeds from future UK-EU ETS linkage was welcomed by manufacturers.

**However, the other funding mechanisms – notably 'bearing down on energy system costs' and 'reforms to the energy system' – remain undefined.** There is no clarity on how these savings will be achieved, how much they will generate, or when the proceeds will become available. **There remains no confirmation that the UK ETS revenues will be used for the BICS.** As a result, there is currently no certain source of funding to launch or sustain the scheme.

**The implementation timeline has been set for 2027 with a backdated payment for 2026.** However, without a confirmed funding plan it is difficult to factor into business plans, delaying investment decisions and undermining confidence in the Industrial Strategy. The longer the delay, the smaller the potential economic benefit – and the greater the risk of further industrial decline.

This is increasingly concerning given the energy bill increases coming in April 2026. Higher transmission network costs and the costs of Sizewell C will feed through to higher

- Is the clearest way to strengthen the UK's industrial base and signal that the Government is serious about competing globally in strategic industries;
- Enjoys near-unanimous support from manufacturers, energy-intensive industries, and the energy sector; and
- Can be implemented rapidly through existing administrative mechanisms, delivering immediate economic benefits.

By widening eligibility in this way, the BICS would not only support the manufacturers that need it most but also help to anchor industrial investment in the UK. The BICS would be a visible, practical and timely demonstration that the Government is serious about delivering growth through manufacturing.

energy bills, and manufacturers could see their bills rise by an average of £450,000 a year by 2030.<sup>12</sup>

**The Government must rule out funding the BICS via a levy on energy bills.** If the £3.3bn funding were to be recouped via other consumers' energy bills, this would equate to a £17/MWh energy price increase for households and other businesses. For a medium-use dual-fuel household, this would raise their energy bills by **£45 a year on average**.<sup>13</sup> With energy prices set to rise significantly for households and businesses from next April, this would pose an unacceptable additional burden and hit to competitiveness at this time.

However, a practical solution is possible to fund the BICS, bringing forward its implementation to 2026:

- In the medium to long-term, the scheme should be funded through new revenue streams, in particular the additional UK ETS revenues.
- Temporary borrowing in the short-term can bridge to these new revenues. This is manageable given the resulting boost to productivity and growth.
- The Government should identify further long-term concrete funding via the Government's announced proposed savings from reforms to the energy system and 'bearing down on system costs'.

<sup>12</sup>Cornwall Insight analysis

<sup>13</sup>Based on Ofgem's typical domestic consumption values for a medium household, which uses 2,700kWh of electricity per year.

## Delivering the British Industrial Competitiveness Scheme

Alongside this, the Government should develop a long-term plan for bringing down industrial energy prices for good, without the need for subsidy.

### How would this work?

There is a strong macroeconomic case for this approach. The BICS directly supports investment, productivity, and competitiveness in manufacturing – three of the UK's most powerful growth multipliers. By lowering energy costs, the scheme will also ease inflationary pressures, support business investment, and prevent the offshoring of critical industrial capacity.

In the medium to long-term, **the scheme should be funded through new revenue streams**. Carbon prices have increased by a third since March (and the previous forecast), which could raise **£500m in 2029-30**. As promised at announcement, **linking the UK ETS to the EU ETS could raise a further £400m**. Combined, this could offset around **30% of scheme costs in 2029-30**.

Temporary borrowing in the short-term is manageable given the resulting boost to productivity and growth, coupled with additional unlocked investment and the contribution to bringing down inflation. The cost of the scheme represents **3% of overall borrowing in 2026-27**, limiting any risk to the gilt markets.

The Government should also work to identify further long-term funding via the proposed savings from reforms to the energy system and 'bearing down on system costs'. It is critical that only real-money certain savings from energy system reforms are factored in as funding sources. The route to passing these savings on to manufacturers must be clear and deliverable before the next election.

In the long term, manufacturers do not want to rely on handouts. The Government should develop a much-needed plan to tackle electricity costs for good. This will enable UK industrial energy prices to be competitive without the need for subsidy.

This combination of near-term Exchequer support and longer-term carbon price revenues recycling would provide the fiscal certainty needed to launch the BICS in 2026, rather than waiting until 2027 or beyond, and within the fiscal rules.

### What are the impacts?

Earlier implementation of the BICS would deliver material, measurable benefits for manufacturers and the wider economy:

- Stronger growth: Providing certainty would inject a stimulus into the economy, supporting higher output and productivity growth when it is most needed.
- Lower inflation: Reduced industrial electricity prices would directly reduce cost pressures across supply chains, helping to bring inflation down faster.
- Increased investment: Early energy cost certainty would give manufacturers the confidence to invest in modernisation, electrification, and decarbonisation projects that have been delayed due to high and volatile energy prices. 75% of manufacturers are planning to make green investments in the next 5 years<sup>14</sup> – this would unlock and accelerate that investment.
- Enhanced competitiveness: UK industry would move closer to cost parity with European competitors, strengthening domestic supply chains and supporting exports.
- Regional prosperity: Manufacturing-led growth is concentrated in the North West, Midlands and Wales – aligning directly with the Government's mission to deliver good jobs and regional prosperity.

The case for acting now is clear. The BICS would unlock investment today, support the energy transition, and deliver a significant improvement in industrial competitiveness for the UK.

<sup>14</sup>Make UK – Manufacturing a Sustainable Future: Capitalising on Green Technologies

## About



Make UK, The Manufacturers' Organisation, is the representative voice of UK manufacturing, with offices in London, every English region, and Wales. Collectively we represent 20,000 companies of all sizes, from start ups to multinationals, across engineering, manufacturing, technology, and the wider industrial sector. Everything we do – from providing essential business support and training to championing manufacturing industry in the UK and internationally – is designed to help British manufacturers compete, innovate, and grow. From HR and employment law, health and safety to environmental and productivity improvement, our advice, expertise and influence enable businesses to remain safe, compliant, and future focused.

Follow us online:

[www.makeuk.org/backingmanufacturing](http://www.makeuk.org/backingmanufacturing)

 [linkedin.com/company/makeuk](https://www.linkedin.com/company/makeuk)

---

For more information, please contact:

**Patrick Matthewson**

Senior Policy Manager - Energy & Net Zero  
Make UK  
[pmatthewson@makeuk.org](mailto:pmatthewson@makeuk.org)

---



[makeuk.org](https://www.makeuk.org)

© 2026 Make UK



**ELECTRIFY  
INDUSTRY**

**UK STEEL**

Make UK is a trading name of EEF Limited Registered Office: Broadway House, Tothill Street, London, SW1H 9NQ. Registered in England and Wales No. 05950172

PM.22.05.2026