

Renewables Obligation (Scotland)

**Consultation On Implementing An
Exemption For Energy Intensive Industries
From The Indirect Costs Of The Renewables
Obligation Scotland**

19 May 2016 – 30 June 2016

Introduction

1. The UK Government announced in the Spending Review 2015¹ that “the government will provide an exemption for Energy Intensive Industries, including the steel industry, from the policy costs of the Renewables Obligation and Feed-in Tariffs, to ensure that they have long-term certainty and remain competitive.”
2. The Scottish Government supports these measures in reducing indirect costs from climate policies to help to ensure the international competitiveness of Energy Intensive Industries (EIs) as they seek to reduce their direct emissions under policies such as the EU Emissions Trading System, as part of the transition to a low carbon economy.
3. Given that elements of the UK Government’s proposals would require amendments to the operation of the Renewables Obligation in Scotland, which is devolved, the Scottish Government is now consulting alongside the UK Government on the changes necessary to legislation to enable the exemption.

Proposed exemption for EIs from the indirect costs of the RO and FIT scheme

4. The Department of Energy and Climate Change (DECC) has published a consultation document which asks a number of questions regarding the implementation of an exemption scheme for eligible EIs from the indirect costs of the Renewables Obligation (RO) and the small scale Feed-in Tariff (FIT) schemes.
5. DECC’s consultation relates to a proposal to implement an exemption in relation to the FIT scheme in Great Britain and in relation to the RO in England and Wales. In order to ensure that the proposed new arrangements can apply across GB, the consultation notes that “the Scottish Government are consulting separately on proposals to implement the exemption in relation to the RO in Scotland” as this is overseen by the Scottish Government.
6. DECC’s consultation closes on 27 May 2016 and is available to view via the following link:

<https://www.gov.uk/government/consultations/implementing-an-exemption-for-energy-intensive-industries-from-the-indirect-costs-of-the-ro-and-the-fits>

7. This document does not reproduce the text and proposals contained within DECC’s consultation document, however stakeholders may wish to note the following arrangements which will apply across GB:
 - EIs are currently supported by the UK Government through a compensation scheme for the indirect costs of the RO and FITs together with an exemption from the indirect costs of Contracts for Difference (CfD)². The UK Government’s proposal is to transition from the current RO and FIT

¹ <https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents>

² <https://www.gov.uk/government/publications/renewables-obligation-and-small-scale-feed-in-tariffs-apply-for-compensation>

compensation scheme to an exemption scheme through changes to legislation.

- Eligibility for the RO and FIT exemption scheme will be based on the current EII eligibility criteria for the RO and FIT compensation scheme and the CfD exemption. This includes a sector test and a business electricity intensity test for each business.
- The Department for Business, Innovation and Skills will continue to administer the scheme.
- DECC's Impact Assessment³ provides estimates of the benefits and costs of the proposed exemption and is based on implementation of the EII exemption scheme across GB.

Purpose of this consultation paper

8. The operation of the RO Scotland is overseen by the Scottish Government. To implement the proposed EII exemption scheme across GB, changes to the Renewables Obligation Scotland legislation will be required. In order to ensure that EIIs operating all or in part within Scotland can benefit from the proposed GB-wide exemption, our intention is to follow the same approach as DECC and introduce identical provisions and requirements as in England and Wales – unless compelling evidence or arguments are presented to the contrary.

9. The methodology for setting the RO obligation level in respect of electricity supplied in Scotland (set out in Part 2 articles 7 to 13 of the Renewables Obligation (Scotland) Order 2009 as amended⁴) will be amended to mirror the approach taken in England and Wales. The detailed changes needed to the RO setting methodology are set out in Annex A of DECC's consultation document.

10. The worked example of proposed changes to the RO methodology set out in Annex B of DECC's consultation document assumes that Scotland will implement the exemption in the same way as in England and Wales.

11. We would like to hear and receive the views of consultees on the decisions in relation to implementing the exemption for EIIs as a consequence of the UK Government's proposals, as they relate to the RO Scotland.

Next steps

12. Following the closing date, all responses will be analysed and considered along with any other available evidence to help us reach a final position. Subject to stakeholder's views, state aid and the approval of the Scottish Parliament, if we decide to proceed with the proposals we intend to bring them into effect from 1 April 2017, in line with the UK Government's plans. We will confirm the intended timetable in the government's response to this consultation.

³ <https://www.gov.uk/government/consultations/implementing-an-exemption-for-energy-intensive-industries-from-the-indirect-costs-of-the-ro-and-the-fits>

⁴ [http://www.legislation.gov.uk/all?title=Renewables obligation scotland](http://www.legislation.gov.uk/all?title=Renewables%20obligation%20scotland)

Responding to this consultation paper

13. We are inviting written responses to this consultation paper by 30 June 2016. Please send your response with the completed Respondent Information Form (see "Handling your Response" below) to:

Fiona Hepplewhite
Energy Markets Team
4th Floor
5 Atlantic Quay
150 Broomielaw
GLASGOW
G2 8LU

Telephone: 0300 244 1076

Email: fiona.hepplewhite@gov.scot

14. We would be happy to discuss these issues with stakeholders before they formalise their responses.

15. This consultation, and all other Scottish Government consultation exercises, can be viewed online on the consultation web pages of the Scottish Government website at: <https://consult.scotland.gov.uk/>

16. The Scottish Government has an email alert system for consultations. This system allows stakeholders to register and receive a weekly email containing details of all new consultations (including web links). The system complements, but in no way replaces Scottish Government distribution lists, and is designed to allow stakeholders to keep up to date with all Scottish Government consultation activity, and therefore be alerted at the earliest opportunity to those of most interest. We would encourage you to register: <http://register.scotland.gov.uk/Subscribe/Step1>

Handling your response

17. We need to know how you wish your response to be handled and, in particular, whether you are happy for your response to be made public. Please complete the consultation online or complete and return the Respondent Information Form which can be found at the end of this document. This will ensure that we treat your response appropriately. If you ask for your response not to be published we will regard it as confidential, and we will treat it accordingly.

18. All respondents should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

19. Where respondents have given permission for their response to be made public and after we have checked that they contain no potentially defamatory material, responses will be made available to the public in the Scottish Government Library and on the Scottish Government consultation web pages. You can make arrangements to view responses by contacting the SG Library on 0131 244 4552.

Responses can be copied and sent to you, but a charge may be made for this service.

State Aid

20. The EEAG allow Member States to grant aid to certain energy-intensive sectors at risk of being put at a significant competitive disadvantage due to renewable financing policies.

21. DECC will submit a pre-notification for the proposed exemption scheme to the European Commission shortly and, in due course, a full notification.

Comments and complaints

22. If you have any comments about how this consultation exercise has been conducted, please send them using the contact details at paragraph 13.

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Energy Intensive Industries from the indirect costs
of the Renewables Obligation**



RESPONDENT INFORMATION FORM

Please Note this form **must** be returned with your response.

Are you responding as an individual or an organisation?

- Individual
- Organisation

Full name or organisation's name

Phone number

Address

Postcode

Email

The Scottish Government would like your permission to publish your consultation response. Please indicate your publishing preference:

- Publish response with name
- Publish response only (anonymous)
- Do not publish response

We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

- Yes
- No



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