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British Industrial Competitiveness Scheme

SMI Response to the Department for Business and Trade

Introduction

The Society of Maritime Industries (SMI) represents over 200 businesses and organisations across the UK's maritime engineering, science and technology community. Our membership includes shipbuilders, shiprepairers, systems and components manufacturers, technology developers, universities and business services providers.

Across these groups, there is consistent recognition that stable and competitive energy costs are essential for the UK's high-value manufacturing base. Maritime industries include fabrication, testing, assembly and systems integration processes that are sensitive to input cost volatility. The British Industry Competitiveness Scheme (BICS) has the potential to strengthen the operating environment for these sectors, support investment, and enhance long-term industrial resilience.

This response therefore focuses on practical and proportionate design, clear eligibility rules, and predictable mechanisms that encourage confidence for capital-intensive industries. It also recognises the wider strategic importance of supporting sovereign capability, productivity, innovation and the transition to net zero. It is worth noting that SMI may not be able to provide direct responses to some questions aimed specifically at businesses, in light of our role as a trade association.

Questions

1) What do you expect the impact of the scheme to be on stakeholders in the British energy system?

Positive. The scheme has potential to reduce cost volatility and improve competitiveness for energy-intensive manufacturing and engineering activities. More predictable energy pricing would support investment planning, productivity improvements and supply chain stability. These benefits align with wider objectives to rebuild sovereign capability, modernise facilities and strengthen UK industrial resilience.

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?

Maritime manufacturing spans many relevant areas, including steel and aluminium fabrication, precision engineering, modular construction, marine systems, digital technologies, environmental systems and research infrastructure. These are all part of the UK's advanced engineering and industrial base, working across multiple industrial sectors.

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:

Not applicable, given SMI's status as the trade association for the UK's maritime engineering, science and technology industry.

4) Do you agree with the proposal to use SIC and HS codes to identify products and manufacturing activities within eligible Industrial Strategy industries?

Partly. SIC and HS codes provide a consistent and transparent baseline for eligibility and help reduce administrative burden. However, reliance on codes alone risks missing strategically important cross-sector capabilities, particularly where value is created through integration rather than discrete products.

Many UK firms operate across defence, maritime, energy, infrastructure and digital markets simultaneously. Revenue and capability generated in one sector is often what enables growth and innovation in another. A narrow code-based approach risks under-recognising these interdependencies and therefore undervaluing parts of the industrial base that are critical to long-term competitiveness.

In addition, international competitors increasingly take a value-chain-led approach to industrial policy, deliberately securing key tiers and "buying packages" within strategic supply chains. SIC and HS codes do not readily support this. More granular segmentation, such as tier-based or package-based mapping of industrial activity, would better reflect how modern manufacturing ecosystems actually function.

5) Are you aware of other approaches which would be more suitable for identifying manufacturing activity in Industrial Strategy sectors, particularly in emerging technologies?

Yes. Function-based and technology-based classification approaches can better capture emerging and convergent technologies such as autonomy, digital engineering, advanced materials and environmental systems.

For example, composite materials capability spans renewables, aerospace, automotive and maritime sectors. While the UK has strong design, materials science and manufacturing expertise, value capture varies significantly between sectors. Mapping capability across design, materials, processes and integration would provide a clearer picture than sector codes alone.

In addition, identifying manufacturing activity linked to strategic infrastructure programmes, where UK supply chains can be mapped across multiple tiers, would provide the certainty manufacturers need to invest with confidence.

It is solutions that address procurement packages across sectors and sub-sectors that enable companies to build commercial traction, rather than alignment to a specific SIC / HS code. If the policy is intended to consider economic and business growth, then distinction is critical.

Companies typically deploy capabilities that deliver solutions across multiple sectors, meaning the impact of the scheme would be more accurately assessed by understanding what different sectors are procuring, and which cross-cutting capabilities and solutions should be encouraged.

6） If an electricity intensity test is applied at the business level, which definition of electricity intensity is more suitable for BICS?

Electricity expenditure as a portion of gross value added. This better reflects true economic exposure, particularly for advanced manufacturers with relatively low non-energy operating costs.

7) Do you agree with the proposal to pro-rate exemptions based on the proportion of firm activity which relates to eligible industries?

Yes. Pro-rating is a reasonable and proportionate approach for businesses with mixed activity. It supports targeting without distorting competition and is simpler to administer than complex metering approaches.

8) Which approach to pro-rating exemptions is more appropriate?

Using the proportion of revenue generated by eligible products. Revenue is easier to evidence and audit and avoids complex allocation of shared energy use, particularly for SMEs. Energy-based approaches may be suitable where process-level metering already exists.

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)?

A minimum threshold for eligible activity, such as 50% of output or revenue, would be appropriate. This would ensure the scheme remains simple to administer while still targeting relief effectively.

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)?

Cost controls may help manage public expenditure, but they must not undermine the **investment certainty** the scheme is intended to provide. Capital-intensive industries place a premium on long-term predictability. Any controls should therefore be transparent, stable and applied sparingly.

11) What do you expect the impact of additional ongoing cost control measures to be?

Poorly designed controls could reduce business confidence and deter investment. If used, they should prioritise stability over short-term fiscal optimisation and avoid frequent or retrospective adjustments.

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?

Agree. Linking relief to energy efficiency and flexibility improvements can support national objectives, provided this recognises differing asset lifecycles and avoids unrealistic or front-loaded capital requirements. Incentives should align with practical upgrade timelines.

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?

- Audited revenue breakdowns by product line;
- Production records linked to specific HS-coded outputs;
- Management accounts that allocate costs and outputs to business units.

These align existing record-keeping practices and avoid unnecessarily complexity.

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?

Shared utilities, multi-use facilities, group structures and common power distribution systems often make meter-level attribution impractical.

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

Through adjusted unit rates, bill credits or a dedicated line item on invoices. Consistency and auditability are key.

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.

- Company and meter identifiers.
- Confirmation of the eligible proportion of activity.
- Exemption certificate with its validity period.
- Any associated conditions.

This information should be provided ahead of the relevant billing cycle.

Conclusion

The British Industry Competitiveness Scheme has the potential to play a meaningful role in strengthening the UK's advanced manufacturing and maritime engineering base. Stable and proportionate electricity cost relief would support investment, improve competitiveness and reinforce domestic supply-chain capability.

To maximise impact, the scheme should reflect how modern industrial value is created: across sub-sectors, between sectors and along integrated value chains. Traditional metrics such as headline GVA and FTE do not fully capture value in an industry context, where digital design, systems integration and IP-rich activity are increasingly central.

Energy support will be most effective if aligned with a joined-up "golden thread" linking innovation funding, business support, infrastructure procurement and finance mechanisms. At present, support across government and agencies remains fragmented. Better coordination would allow public investment, including energy cost relief, to go further and deliver sustained, through-life support for UK companies as they grow and scale.

With the right design and long-term stability, BICS can contribute materially to productivity, resilience and strategic industrial capability across the UK economy.