

Government cuts electricity bill for 10,000 manufacturers in boost for UK competitiveness

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The Government has announced that electricity bills will be cut by up to 25% for over 10,000 businesses through the British Industrial Competitiveness Scheme.

- Chancellor announces bold action on businesses' electricity bills during IMF meetings in Washington, as Government strengthens Britain's economic security - helping deliver stability, keeping costs down, and boosting competitiveness.
- Bills cut by up to 25% for over 10,000 manufacturers from April 2027, with no increase to household and business energy bills.
- British Industrial Competitiveness Scheme (BICS) to be expanded by 40%, with one-off additional payment in 2027 rolled out to an extra 3,000 businesses and cover support firms would have received from April 2026.

The Chancellor Rachel Reeves today [16 April] confirmed electricity bill cuts for over 10,000 manufacturers as the next phase of the Government's plan to boost Britain's competitiveness.

The final design of the British Industrial Competitiveness Scheme (BICS), first announced in last year's Modern Industrial Strategy, means the scheme will be expanded to cover an extra 3,000 businesses.

The announcement comes as the Chancellor is in Washington to set out Britain's plan for economic security through the Middle East crisis — prioritising stability, keeping costs down for families and businesses, taking back control of our energy costs, and going further and faster on our plan for a stronger, more resilient economy.

Chancellor of the Exchequer Rachel Reeves said:

This Government has the right plan for the economy: backing British industry, cutting electricity costs, and building a stronger, more resilient future.

Today's announcement will cut energy bills for over 10,000 manufacturers, helping businesses to compete, win and create good jobs across the country, and to deliver our modern Industrial Strategy.

Business Secretary Peter Kyle said:

We are a government of action, and when global instability puts businesses under pressure we'll always do what's needed to support them and ensure Britain's resilience. By extending the reach of BICS by 40 percent, we're acting decisively to tackle the number one issue that businesses face head-on.

This is what our Modern Industrial Strategy is all about: giving businesses certainty and

stability in an unstable time, and backing Britain's fastest growing sectors with the support they need to prosper and deliver good jobs right across our communities.

Automotive and aerospace, steel, and pharmaceuticals are among the sectors where eligible businesses are to benefit from a one-off additional payment in 2027. This will cover the support firms would have received if BICS had been in place from April 2026.

Eligibility has also been expanded by 40%, from 7,000 to over 10,000 businesses. This targets support at energy-intensive firms on the number one issue they face – high electricity costs.

From April 2027, eligible firms will see electricity bills cut by up to 25 percent. Households will see no increase in their bills as a result.

BICS will exempt eligible businesses from the indirect costs of three electricity schemes: the Renewables Obligation, Feed-in Tariffs, and the Capacity Market. This is worth around £35-£40 per MWh.

It is expected to be worth up to £600 million per year from April 2027. Households and other businesses not benefitting will see no increase in their energy bills.

The scheme will be funded through a combination of changes within the energy system and Exchequer funding, with full detail to be set out in Budget 2026.

Rain Newton-Smith, CBI Chief Executive, said:

This move marks a significant step towards addressing the high energy costs that are placing growing financial pressure on UK businesses and undermining their international competitiveness.

By expanding eligibility and introducing backdated payments to the British Industrial Competitiveness Scheme, the government has shown it is listening to firms grappling with volatility in global energy markets.

As the UK looks to reshape and modernise its industrial base, this decision provides an opportunity to rethink how we fund our energy infrastructure. Extending this competitiveness-first approach across the wider economy could help support growth.

Mike Hawes, SMMT Chief Executive said:

The final design of the British Industry Competitiveness Scheme (BICS) is a major win for Britain's automotive manufacturers, promising to drive down industrial energy costs and boost competitiveness.

This decisive first step answers our longstanding calls for energy support that reaches the whole of the automotive manufacturing supply chain and recognises the sector's critical contribution to the UK economy. It sends a clear and immediate signal that we are open for business and a prime destination for investment.

Shevaun Haviland, Director General of the British Chambers of Commerce said:

Expanding BICS is the right move to help some firms struggling across the UK. It shows the government has listened to our calls for more energy intensive manufacturing businesses to receive help with the cost of energy.

This welcome first step will help make more of these firms remain globally competitive. Companies will also be pleased that support will be backdated to April 2026, as we called for, further acknowledging the impact of recent energy cost volatility.

Sectors that could benefit include automotive and aerospace, steel producers, metal fabricators, pharmaceutical and medical supplies companies, recycling businesses, plastic producers, nuclear fuel processors, and cooling and ventilation equipment manufacturers.

A second consultation on the regulatory changes needed to deliver the scheme closes on 14 May 2026. Legislation is expected to be in place by Autumn 2026.

The announcement follows a £420 million boost for around 500 of the UK's most energy-intensive businesses through the Supercharger, which took effect on 1 April and increased the discount on electricity network charges from 60% to 90% for sectors including steel, cement, glass and chemicals.

Background

- Exemptions on Renewables Obligation and Feed-in Tariff levies will apply from April 2027; Capacity Market exemptions from October 2027.
- Both large businesses and SMEs will be eligible, with support not prioritised by size. Businesses will receive exemptions on their bills applied site by site based on the share of electricity used to manufacture eligible products at that site.
- Sites using less than 25% eligible electricity will receive no exemption, 25% to less than 50% will receive a 50% exemption, and 50% or more will receive a 100% exemption.
- The full list of eligible SIC and HS codes will be available online on gov.uk on 16 April; businesses will need to be able to evidence both.
- The backdated payment will reflect the support businesses would have received had BICS been in operation from April 2026. Further details will be published separately.
- Full details of funding arrangements and bill impacts will be published in an Impact Assessment alongside the legislation in Autumn 2026.
- A scheme review will take place in 2030.
- Further information and the second consultation will be available on gov.uk on 16 April.

<https://www.gov.uk/government/news/government-cuts-electricity-bill-for-10000-manufacturers-in-bottleneck-for-uk-competitiveness>