13 January 2026

Submission: British Industrial Competitiveness Scheme

About the Association of the British Pharmaceutical Industry

The ABPI exists to make the UK the best place in the world to research, develop and access medicines and vaccines to improve patient care.

The ABPI represents companies of all sizes which invest in making and discovering medicines and vaccines to enhance and save the lives of millions of people around the world.

In England, Scotland, Wales and Northern Ireland, the ABPI work in partnership with governments and the NHS so that patients can get new treatments faster and the NHS can plan how much it spends on medicines. Every day, ABPI members partner with healthcare professionals, academics and patient organisations to find new solutions to unmet health needs. www.abpi.org.uk

About the BioIndustry Association

The BioIndustry Association (BIA) is the voice of the innovative life sciences and biotech industry, enabling and connecting the UK ecosystem so that businesses can start, grow and deliver world-changing innovation.

The BIA has over 600 members spanning human health and non-health biotech, including start-ups, scale-ups and established global companies. Membership also encompasses the full UK ecosystem, including non-commercial research institutions and service providers. BioIndustry Association | BIA

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Summary

- The ABPI and BIA welcome the government's plan to reduce energy costs for life sciences manufacturers, which are a vital engine for productivity growth and health resilience, and we expect the scheme to improve the UK's attractiveness to inward investment because high electricity costs undermine our global competitiveness.
- The scheme should be accessible to all life sciences companies developing innovative products, as manufactured goods can be used in both commercial and R&D activities, such as clinical trials. Therefore, we recommend adding SIC 7211 (biotechnology R&D) to the list of eligible SIC codes.
- Stringent use of HS6 codes risks excluding innovative products, such as medicines with novel modes of action, that are not clearly categorisable using the infrequently updated HS6 coding system. The complexity of HS6 codes may also pose an excessive burden on SMEs, which risks deterring them from the scheme and limiting its ability to spur scale-up in the UK.
- Consequently, we recommend the government use HS6 codes on a preliminary basis for determining eligible products. It should then work with industry to build on this initial shortlist, ensuring the scheme keeps pace with technological developments in R&D-intensive sectors like the life sciences. Also, the government should develop clear guidance to help companies understand their eligibility.
- An expenditure-based test would more effectively encourage participation in the scheme, and thus increase its impact, because evidencing total expenditure is less administratively burdensome than evidencing Gross Value Added (GVA).
- We strongly recommend that the BICS include a mechanism for pro-rating relief so that it does not exclude companies that invest significantly in the R&D that sustains life sciences manufacturing and economic growth. To minimise this risk, we recommend the government allows R&D-intensive companies to apply for the scheme using only their manufacturing sites' data. Alternatively, the scheme could be expanded to include electricity-intensive R&D activities, such as pre-clinical research.
- We anticipate that additional cost controls would increase the administrative burden of the BICS and reduce participation, limiting its effectiveness, and recommend the government does not introduce them at this time.

Response

1. What do you expect the impact of the scheme to be on stakeholders in the British energy system (for example businesses, suppliers and delivery partners)? Please provide supporting evidence where possible.

Positive

The ABPI and BIA welcome the government's plan to reduce energy costs for life sciences manufacturers, a sector that is a vital engine for productivity growth and health resilience. We expect the scheme to increase the growth rate of businesses in the UK and improve the UK's attractiveness to inward investment, though we note that electricity costs are one of many investor considerations that affect the life sciences ecosystem.

Life sciences manufacturing supports over 115,000 jobs across the UK, with the average medicines manufacturing job contributing £128,000 to the wider economy.[1] This workforce is exceptionally productive, achieving the third-highest output per hour worked in 2024.[2] When the induced and indirect effects of this output are accounted for, life sciences manufacturing supports an additional 267,000 jobs.[3] Additionally, the sector develops medicines, vaccines and medical technology that enhances the UK's resilience against health emergencies, such as pandemics.[4] Attracting more investment in life sciences manufacturing is therefore vital to achieving the government's growth and health missions.

To do so, the UK must identify which factors drive industry investment decisions, assess our performance in them relative to our competitors, and use policy and funding to improve it. The ABPI's Competitiveness Framework[5] provides this performance benchmark and identifies energy costs as an influential driver of pharmaceutical manufacturing investment decisions. The UK's energy costs are the highest among the Framework's comparator countries, which reduces our attractiveness to life sciences manufacturing investment. In contrast, Germany, Switzerland, and Belgium's lower energy costs make them more competitive destinations for investment, which is a key reason why these countries outperform the UK's performance in pharmaceutical exports.

By reducing these energy costs, the British Industrial Competitiveness Scheme (BICS) should help to address this competitive disadvantage and improve the UK's attractiveness as a destination for investment in life sciences manufacturing sites. The economic impact of this investment is sizeable, as we estimate that attracting £15 billion worth of extra medicines manufacturing investment to the UK over the next 10 years could create 26,000 new jobs.[6]

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? If yes, please specify which industry and whether your activities include the manufacture of goods within that industry.

While the ABPI and BIA do not manufacture products, they represent companies that invest in the research, development and manufacture of innovative medicines and vaccines, which are encompassed in SIC 21, 721 and 325. They also represent companies using engineering biology in other industries and comments in this submission apply equally to such companies.

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:

Some companies represented by the ABPI and BIA use the 7211 SIC code (Research and experimental development on biotechnology) and therefore risk being excluded from the scheme, despite manufacturing goods that have eligible HS6 codes.

Some of these companies may be able to apply for an additional, eligible SIC code, but needing to do so would increase the administrative burden of engaging with the scheme, especially for smaller companies. As a result, companies manufacturing eligible goods could be deterred from participating in the scheme, limiting its efficacy. Additionally, some companies already have their four maximum SIC codes (for instance, because they work across multiple sectors) and would be unable to add an eligible code, thereby excluding them from the scheme entirely.

Consequently, we recommend the scheme add SIC 7211 to ensure the full breadth of life sciences manufacturers are encompassed in the scheme. Doing so would not dilute the scheme's remit, as the use of pro-rated support would enable selective support for companies that may only partially meet the eligibility criteria.

4. Do you agree with the proposal to use SIC and HS codes to identify products and manufacturing activities within eligible Industrial Strategy industries? Please provide reasons for your response.

Agree

Overall, we recognise that SIC and HS6 codes are currently the most practical method available for identifying companies eligible to receive support under the scheme.

However, we encourage the government to maintain a degree of flexibility when assessing applications to the scheme, as rigidly using HS6 codes risks excluding companies that are developing novel products and advancing the economic goals of the Industrial Strategy. This risk arises from two factors:

1. HS6 codes are updated infrequently, so new products developed in between updates, such as innovative medicines developed with novel modes of action, are difficult or impossible to classify. One notable example of a life sciences product that is unclearly categorised by HS6 codes are personalised mRNA therapies and in vivo gene therapies, which appear to lack a dedicated HS6 code.
2. HS6 codes are complex, and their legal and explanatory notes sit behind a paywall. Although larger companies, especially those with established export trades, may find this complexity manageable, it risks posing an excessive administrative burden on smaller companies. This risk is compounded when SMEs are developing novel products that are not clearly categorizable using HS codes.

Therefore, stringent use of HS6 codes could exclude companies manufacturing innovative medicines, vaccines and medical technologies, despite their development and adoption being a top priority of the Life Sciences Sector Plan. Additionally, the complexity of the HS6 codes could deter SMEs from participating in the scheme, limiting its efficacy as a stimulus for companies to scale up their manufacturing activities in the UK.

Given the need to implement the scheme quickly, we recommend the government still use SIC and HS6 codes as the preliminary basis for determining which companies are eligible for support, as these tools are available immediately. However, we also recommend the government builds on the HS6 codes, which provide an initial shortlist of eligible products, to ensure the scheme's support reaches the companies that the Industrial Strategy is designed to foster. Doing so would give the government greater control over the scheme, allowing it to keep pace with technological development in R&D-intensive sectors like the life sciences. The ABPI and BIA are well-positioned to facilitate government engagement with industry in order to proactively identify products not clearly categorised by the HS6 codes and add them to the scheme's ever-evolving list of innovative goods. Creating a formalised mechanism through which "new technologies" not captured within HS6 codes can be added to a list of eligible goods would allow for this flexibility and could be achieved through an annual or twice-yearly consultation window.

Lastly, we recommend the government produce clear guidance to help companies find out whether they and their manufactured goods are eligible for the scheme. This guidance could build on existing guidance and tools that use the HS code system, such as the UK Integrated Online Tariff, to increase awareness of and engagement with the scheme.

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

No

Alternative methodologies, such as the Science and Technology Framework, lack the breadth and precision offered by SIC and HS6 codes. The latter has the added benefit of being an international standard that can be readily understood by global investors.

6. If an electricity intensity test is applied at the business level, which definition of electricity intensity is more suitable for BICS? Please provide reasons for your response.

Electricity expenditure as a portion of total expenditure

An expenditure-based test would more effectively enable participation in the scheme, and thus increase its efficacy, because evidencing total expenditure is less administratively burdensome than evidencing Gross Value Added (GVA). Adopting this approach would also align BICS with other expenditure-based investment incentives, such as R&D tax credits.

7. Do you agree with the proposal to pro-rate exemptions based on the proportion of firm activity which relates to eligible industries? Please provide reasons for your response.

Agree

As an innovative industry, a sizeable proportion of the life sciences sector's expenditure is invested in R&D, with the pharmaceutical industry alone investing £9.3 billion in 2024 – equal to 16.8 per cent of UK business R&D investment.[7] This spending is foundational to the sector's total economic activity, including its investment in UK-based manufacturing, because it could not exist or grow without the pipeline of innovations generated by R&D.

Without pro-rated relief, many companies that manufacture life sciences products could fall outside the BICS's criteria, even when the manufacturing would (in isolation) meet the threshold for being electricity intensive. Larger companies that have both manufacturing and R&D sites in the UK could be particularly at risk of this unintended outcome, as their R&D expenditure is likely to significantly outsize their manufacturing expenditure (and thus their electricity expenditure) because the sector is R&D intensive. In effect, this could narrow the scheme's scope so that only life sciences companies that manufacture but do not conduct R&D in the UK would benefit from the BICS. We believe this outcome would be contrary to the strategic goals of the BICS and of the Industrial Strategy as a whole.

Therefore, we strongly recommend that the BICS include a mechanism for pro-rating relief so that it does not exclude companies that invest significantly in the R&D that sustains life sciences manufacturing. In addition, we recommend that the BICS allows R&D-intensive companies (measured according to their R&D expenditure in the UK) to isolate their manufacturing sites when applying for BICS relief. This approach would nullify the risk of BICS excluding companies that invest heavily in R&D and manufacturing, as the R&D expenditure that could outweigh manufacturing expenditure would be excluded from the electricity intensity test. This method would still be compatible with pro-rated exemptions (which are for controlling the scheme's cost and ensuring its relief is well-targeted), as spending on the manufacture of ineligible goods would be discounted from the net relief awarded to the company in question.

Alternatively, the scheme could be expanded in scope to include electricity-intensive R&D activities, such as pre-clinical development of innovative medicines and vaccines. As outlined above, significant investment in R&D underpins the innovation pipeline of the life sciences sector, developing products that enter clinical and commercial manufacturing. Therefore, supporting electricity-intensive R&D through the scheme would still advance its objective of increasing the UK's competitiveness in manufacturing.

8. Which approach to pro-rating exemptions is more appropriate? Please provide reasons for your response.

Using the proportion of energy used in the manufacture of eligible products

Similar to question 6, providing evidence on manufacturing costs is significantly less burdensome for companies' administration compared with evidencing revenues. The latter is particularly complex for the pharmaceutical industry, as gross and net revenues for branded medicines can vary significantly because of clawbacks paid on these revenues under the voluntary and statutory schemes for branded medicines.

Additionally, an energy-usage approach would better align with our recommended total-expenditure approach for the electricity intensity test.

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)?

As outlined in the government's consultation, not pro-rating relief under the BICS risks creating distortive effects for market participants. Additionally, as explained in question 7, it also risks excluding life sciences companies that invest significant amounts in both R&D and manufacturing.

As outlined in question 4, for the life sciences sector, we strongly recommend that all innovative products are covered within the scheme. Eligibility that is limited to certain product types or classifications risks excluding early-stage or emerging innovations that are central to the UK's life sciences ecosystem and future economic growth.

If pro-rated relief is not implemented, then we would strongly recommend that BICS allows R&D-intensive companies to apply using only the data generated by their manufacturing sites. This approach would ensure the BICS did not penalise companies for investing heavily in the R&D that drives life sciences.

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)? Please provide reasons for your response.

No

The proposed criteria of growth sector, eligible product, and electricity intensity already offer a robust method for identifying eligible companies and adjudicating their appropriate level of relief. Adding additional layers will increase the administrative burden of engaging with BICS, which risks deterring companies that would otherwise be eligible and therefore limiting the scheme's effectiveness as a stimulus for UK growth and competitiveness.

As such, the Department should not introduce additional cost control measures at this stage of the BICS's implementation. Instead, it should revisit this question during the 2030 review, as it can then assess two full years of performance data.

11. What do you expect the impact of additional ongoing cost control measures to be? In your response, it would be helpful to consider their effectiveness in managing potential scheme cost impacts on non-eligible businesses and other electricity users, as well as impact on business/investor confidence and any financial or operational implications for businesses or suppliers.

As outlined in question 10, we anticipate that additional cost controls would increase the administrative burden of the BICS and reduce participation, limiting its effectiveness.

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? Please provide reasons for your response, specifying whether you are referring to energy efficiency or flexibility and the opportunities and/or challenges we would need to consider.

These may include potential benefits this could deliver for the system and/or businesses, impact on business/investor confidence and any technical, financial or operational implications.

Disagree

As outlined in questions 10 and 11, we anticipate that additional layers of complexity to the BICS eligibility criteria and scope will increase the administrative burden on companies, which risks deterring participation and limiting the scheme's effectiveness as a measure to reduce energy costs and boost the UK's global competitiveness.

Furthermore, life sciences manufacturers are already investing to make their facilities more energy efficient and sustainable. A notable example is the industry-funded Investment Programme for sustainable medicines manufacturing, which recently awarded £54 million to eight R&D projects developing new ways to reduce waste and increase efficiency.[8]

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?

Given the unique regulatory environment of life sciences manufacturing, we recommend the Department gathers further input from industry on this question after it has decided which electricity intensity test to use and whether relief will be pro-rated.

An initial suggestion is that companies could provide certificates of Good Manufacturing Practice to evidence the portfolio of products manufactured at their sites. This approach has the benefit of not requiring companies to generate additional evidence, reducing the administrative burden of scheme participation.

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? Please provide reasons for your response.

Yes

As outlined in question 7, the R&D-intensive nature of the life sciences sector means that some manufacturers may be ineligible for the BICS because they also invest significantly in the R&D that sustains their manufacturing activities. In effect, this would risk limiting the scheme to life sciences companies that only manufacture products in the UK and do not undertake the necessary R&D in the UK. We have recommended mitigations for this risk in question 7.

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

N/A – As we do not represent energy suppliers, we are unable to respond to this question.

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.

N/A – As we do not represent energy suppliers, we are unable to respond to this question.

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[1] Medicines Manufacturing Industry Partnership, 'Follow the green, high-tech road', June 2023.
[2] ONS, 'Output per hour worked by division, UK', November 2025.
[3] PwC, 'Life Sciences Superpower', June 2022.
[4] Subsidy Advice Unity, 'Subsidy Advice Unit Report on the proposed Life Sciences Innovative Manufacturing Fund', June 2024.
[5] ABPI, 'Creating the conditions for investment and growth', September 2025.
[6] Medicines Manufacturing Industry Partnership, 'Follow the green, high-tech road', June 2023.
[7] ONS, 'Business enterprise research and development, UK', November 2025.
[8] UK Government, 'Multi-million pound backing for cutting edge projects by UK scientists and innovators', November 2025.