

# Launch of the Energy Markets Finance Scheme

The EMFS was announced by the Prime Minister on 8 September, and in The Growth Plan the then Chancellor confirmed that it will provide a 100% guarantee to commercial banks to provide additional lending to energy firms.

Delivered with the Bank of England, this scheme addresses the extraordinary liquidity requirements faced by energy firms operating in UK wholesale gas and electricity markets as a result of margin calls.

Energy prices have been high and volatile in recent months. As a result, large amounts of collateral are required to enter into contracts firms use to effectively insure themselves from price fluctuations, or otherwise firms must accept large credit exposures to their counterparties.

The details of the scheme are being announced today, and firms can start to apply via the Bank of England. Applications will be accepted for a period of three months.

The scheme is aimed at providing a backstop to support energy firms facing large and unexpected margin calls. Pricing and conditions will reflect this objective. The scheme will provide resilience to energy markets and therefore help to reduce the eventual cost for businesses and consumers.

Further details on the structure of the scheme can be found on the Bank of England's website and the market notice published today. To apply to the scheme please contact [EMFS-Applications@bankofengland.co.uk](mailto:EMFS-Applications@bankofengland.co.uk)

## **Scheme Eligibility**

As part of the application process, firms will need to demonstrate that they meet the eligibility criteria.

The EMFS is intended to support energy firms who are facing short term liquidity challenges but would be otherwise in sound financial health. Eligibility will be considered based on the following criteria:

- Firms must demonstrate they are in sound financial health (firms must be otherwise solvent and solvency will be assessed through robust due diligence processes)
- Firms must be Ofgem-licensed (or have an Ofgem-licensed entity), and have a pre-existing relationship with an approved commercial bank or banks;

In addition, firms must also demonstrate they are making a material contribution to UK energy markets through meeting one or more of the requirements outlined below:

- They make material contribution to the UK electricity or gas markets and can demonstrate that they are likely exposed to large margin calls;
- They are heavily inter-connected and the loss of activity would have a significant impact on markets or other energy firms.

Eligibility will be assessed by the Bank of England and an Advisory Committee convened by HMT, who will make a recommendation for the Chancellor to make a decision to approve or reject each application.

Eligible firms who wish to apply for a guarantee will be required to comply with a set of policy conditions, such as restrictions on executive pay and capital distributions. For the full list of conditions, please refer to the market notice.

Financial institutions, state owned enterprises or commodity trading houses are not eligible for this scheme. State owned enterprises should seek to access alternative support from their relevant governments before approaching the Government.

### **Application process**

Firms can apply to the scheme for the next three months. Each loan facility agreement will last up to 12 months and will begin from when the guarantee is issued by the commercial lender.

Applications will be assessed initially by the Bank of England, and then by Advisory Committee, who will make a recommendation for the Chancellor to decide whether to approve or reject an application.

To apply for the scheme, please email [EMFS-Applications@bankofengland.co.uk](mailto:EMFS-Applications@bankofengland.co.uk). For further details on the scheme, please visit [here](#).

### **Further information**