

Energy Adjustment Levy (EAL) – Port of Felixstowe

Dear Customer,

In May 2022, the Port of Felixstowe introduced an Energy Adjustment Levy (EAL) to contribute towards the rising cost of the energy required to deliver a consistent level of service to our customers. The Energy Adjustment Levy (EAL) is linked to the wholesale price of energy paid by the port, and key external market indexes, and we are asking customers make a contribution to these significantly rising costs.

As detailed at the time, the Port applies a strategy to mitigate its energy prices, by seeking to lock in the best price possible for our energy needs. Despite these measures the size of the increase in the price we are being asked to pay for our energy supply is now more than 250% higher when compared with our baseline in 2021.

During our initial communication in April, we committed to review the EAL during Q3 2022, once we had a better understanding of the energy prices we would be paying. A review at this time has also allowed us to work with our energy supplier to pass on the discount provided by the UK Governments Energy Bill Relief Scheme announced in September 2022.

The review has now taken place, and in order for the port to maintain a consistent service level for all customers, the Energy Adjustment Levy will be increasing by £6.25 per import container to £17.50 from Monday 21st November, with charges levied as follows:

- The EAL will be £17.50 per import laden container effective from 21st November 2022
- The charge will be levied to the customs declarant (clearing agent) based on gate-out date
- In order to cover the increased administrative costs of collection, the rebate will be revised to £0.75 and paid to the declarant per import laden container.

The level of the EAL will continue to be reviewed every six-months according to the prevailing and predicted cost of energy at the time of the review – including any further changes to UK Government support for businesses. The next review will take place during Q1 2023.

A set of FAQs is attached to this customer update to answer any questions you have relating to the EAL charge, for questions not covered in the FAQs, please submit them to energylevy@fdrc.co.uk

Best regards
Adam Ramsey
Commercial Director

Energy Adjustment Levy FAQs

When will the increased Energy Adjustment Levy commence?

The increased levy amount will be applied to all laden import containers that out-gate from 00:01 on Monday 21st November 2022.

Who will be invoiced the EAL?

The £17.50 for each import laden container will be charged to the Customs Declarant. The Declarant will receive a rebate of £0.75p per surcharge to cover administrative costs incurred through collection

How have you calculated the levy amount?

We have taken the prices of electricity and diesel during 2021 as a baseline figure and calculated the increase in the price the Port is paying, (including UK Government energy relief scheme discount, but excluding the loss of red diesel duty subsidy) and annualised that price rise, then divided it by the number of import full containers expected to be handled. A proportion of this additional cost is passed on as the EAL, ~~moreover~~ the port will continue to absorb the remainder of the increase.

Why is the EAL charged on laden imports only?

The UK economy is driven by imports entering the country through our ports. By levying the charge on all import cargo, it will have minimal impact on the cost of goods contained within each container. The price that the levy is set at assumes a round trip for each container, many of which leave our shores empty

Why are you not recovering the increased costs from the shipping lines?

Normal operating costs are recovered from our Shipping Line customers as part of the price they pay to move cargo via Felixstowe. However, the recent increase in, and prevailing level of energy costs are unprecedented and an approach is needed that shares these extraordinary costs between port users on a more equitable basis. We believe the approach we have taken achieves this objective. The EAL is designed to be uniform and transparent across all laden import containers moving through Felixstowe.

How will the Customs Declarants claim their £0.75p administration rebate per laden import container?

The rebate will be automatically shown on the surcharge invoice i.e. the net invoice will show £16.75

Why are you increasing the levy now?

We committed to reviewing the EAL every 6 months against our baseline period of 2021, and unfortunately, even with Government support, prices have continued to rise above and beyond any normal levels.

What steps has the port taken to mitigate the increases?

Some of the energy price increases have already been absorbed by the Port. Further, using our buying power, we aim to secure the very best prices on the market as well as fixing prices where possible.

Are these increased costs not covered via the Green Energy Transition Levy?

No, the recent increase in fuel costs are not covered by the Green Energy Transition (GET) levy. The GET levy covers a contribution to the significant capex involved in replacing diesel and petrol equipment with electric, battery and most likely green hydrogen solutions to achieve net zero emissions for container operations in the port. In addition to these capital costs the GET levy helps cover increased diesel costs from April 2022 when the UK Government removes fuel duty relief in ports.

How long will the levy be in place?

It is difficult to say at this stage as the factors increasing the current costs are outside of our control, but we will commit to reviewing the costs every 6 months and aim to minimise the impact to our customers.

Why does the port not cover the whole increase in costs?

Operating Britain's largest container port requires a lot of energy which represents a significant part of the operating costs. Wholesale energy prices have increased by over 250% in 2022 and whilst every effort has been taken to mitigate the increases, it is not feasible for the port to absorb all of these elevated costs.

How is the UK Government Energy Relief Scheme factored into the changing price of the EAL?

Our Procurement team have worked incredibly efficiently to liaise with our energy provider to ensure that the new Energy Relief Scheme discount is already factored into EAL pricing from 1st October 2022. This offers a substantial discount against the wholesale price of electricity & gas without which the EAL would have been higher. The Government Energy Bill Relief Scheme currently only covers the period up until the end of Q1 2023. Any changes – expected to be announced in Q1 2023 – will be taken into consideration before future adjustments to the EAL are made.