

## Insights

# I'M DREAMING OF A WHITE PAPER...

Dec 21, 2020

## SUMMARY

An early Christmas present in the form of the Government's long awaited Energy White Paper "Powering our Net Zero Future" was finally gifted to us last week. We have digested the White Paper with our festive hats on and set out some key points for your thought.

The White Paper is admirable in its optimism and ambition and one could be forgiven for thinking it reads a bit like a letter to Santa...

- "Dear Santa, I don't want much this Christmas, only:
  - A better deal for consumers;
  - New renewable energy capacity;
  - Shiny new Carbon Capture Utilisation and Storage Projects;
  - Updated Energy National Policy Statements;
  - A competitive energy system;
  - Turbo charging the electric vehicle revolution through more public rapid charging (batteries included please!);
  - A new UK Emissions Trading Scheme (UK ETS) and carbon market;
- Quite simply Santa we want a Green Industrial Revolution! Yours, HMG" [So not much then?]

## Consumers

The figurative turkey of the White Paper is to put consumers at the heart of the Government's plans by: consulting on innovative solutions to engage consumers in their energy tariffs; proposing to

regulate third party energy brokers and price comparison sites; and increasing competition across the energy sector. The ambition in these pledges will be welcomed by some, however, one might question how the costs of funding this green industrial revolution will be passed on, if not ultimately to consumers. The Government is proposing a series of consultations in spring 2021 in the hope that innovation and increased competition will help engage consumers more than ever before.

## **New Renewables**

The White Paper targets 40GW of offshore wind capacity by 2030 including 1GW of floating wind. Biennial Contracts for Difference (a contract setting a “strike price” thereby protecting against volatility) rounds will continue with the next auction due in 2021 to focus on onshore and offshore wind, solar and other established technologies.

The White Paper confirms that Wind and Solar energy will be the backbone of the future of the UK’s net zero energy system whilst briefly mentioning wave and tidal power as options. Technologies such as energy storage are acknowledged as being key to help balance supply and demand and the promise of a Smart Systems Plan in spring 2021 and a pledge to define electricity storage in law which will certainly please many in the industry. Whether “Parliamentary time allows” will be a discussion for Dry January.

## **CCUS**

The White Paper contains many comments on carbon capture, but one of the eye-catching points is the proposal for consultation in early 2021 regarding the current carbon capture readiness/retrofitting rules for new combustion plants. In particular, the Government has focussed in on the long-established EU law/domestic UK policy of only triggering the carbon capture readiness/retrofitting requirements when the proposed new combustion plant has 300MW (or more) of generating capacity. The Government consultation will consider removing this 300MW trigger point. This will be highly relevant to many promoters of UK energy projects (for example, those promoting DCOs for new combustion plants with sub-300MW capacities who currently are not expecting carbon capture readiness/retrofitting requirements).

## **Energy National Policy Statements**

To support the new infrastructure required to reach net zero the Government has pledged to review all Energy NPSs by the end of 2021. The threat of challenge driven by the (now-overturned in a very recent Supreme Court decision) suspension of the Airports NPS and the challenges to the Energy NPSs has clearly driven the need for these reviews but it is certainly pleasing to see the Government aiming to review all NPSs in this time frame.

## **Energy System Institutions**

The Brussel sprouts of the White Paper may seem to some to be the proposed “step-change” in approach to the electricity network and the proposals to legislate to enable competitive tendering for the building, ownership and operation of the electricity network. The Government has also promised consultation to consider the functions of the energy systems operators and transmission and distribution providers to ensure institutional arrangements are fit for purpose. Sprinkle on the proposed Strategy and Policy Statement in 2021 to guide Ofgem and it appears as though the Government wants a closer control on key energy institutions in the UK. Current ESOs, transmission networks and distribution networks are all under existing duties to provide value for money and so it will be interesting to see where this competition will come from?

## **Electric Vehicle Revolution**

Is reindeer power truly zero emission, Santa? The Government has been working hard in 2020 to encourage the energy transition within the transport sector. Spurred on by the acceleration of the ban on the sale of internal combustion cars by 2030 (from 2035), this decade is looking towards zero and ultra-low emission vehicles. Whilst not promising lots of new presents for the zero emission vehicle sector, the White Paper serves as a reminder of the Government’s commitment to rolling out investment in grid infrastructure and rapid charging across the strategic road network, along with charge-points in homes, workplaces, streets and motorways across England. The White Paper reconfirms commitments to zero and ultra-low emission vehicles, along with an incredibly important industrial strategic investment in mass-scale production of EV batteries (so batteries are included after all). The White Paper cements the widely held industry view that the wide adoption of zero emission vehicles is a “when” and not an “if”. The “when” will drive the huge amount of private sector capital to be deployed in this sector in battery manufacturing, OEM / mobility platforms and rapid public and urban / destination charging points.

## **UK ETS and Carbon Market**

Questions had been asked about what new mechanism the UK will deploy when it leaves the EU Emissions Trading System (EU ETS) on 1 January 2021. It has looked likely that a new UK ETS (broadly a like-for-like replacement for the EU ETS) is the preferred option, rather than the main alternative – a carbon tax.

The White Paper now confirms that the Government will establish the new UK ETS – with indications that the Government may align the ‘cap’ with a net zero trajectory and is considering linking the UK ETS with international partners (one would assume that this comment is most related to a possible linkage with the EU ETS). Although there is no express confirmation that the carbon tax alternative has been taken off the table, this strong messaging from the Government implies that this is the case.

## **So what will Santa bring?**

While we certainly won't wake up on Christmas morning to a gift-wrapped policy, 2021 may be the year that much of the White Paper's strategies and plans are consulted on and crystallised further - if you asked for consultations for Christmas you are in luck!

The Government will hope that Santa's sleigh is filled with a staggering amount of public funding and many in green energy sectors will want a piece of that Christmas pudding.

It does seem then that the White Paper really is like a list to Santa - you put everything you ever wanted down on paper in the hope that even getting one or two of those things will make for decent stocking fillers!

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## MEET THE TEAM



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