

REA Member Briefing - Budget 2020

Introduction & Context

The 2020 UK Budget has now concluded, with a focus on the Coronavirus, there were also some positive moves for the renewables and clean technology sector.

Among the data and announcements, was an explicit recognition that “costs have fallen so quickly that offshore wind, onshore wind and solar are likely to be the UK’s primary source of electricity in the future.” However, they went on to state that “the power generated by these renewable sources is dependent on the weather, so the UK also needs reliable low carbon power from technologies such as nuclear, gas with carbon capture and storage (CCS), and hydrogen.”

The full Budget publication is available below:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871799/Budget_2020_Web_Accessible_Complete.pdf

Summary of Budget measures impacting the Green Economy

Low Carbon Heat

- Government will introduce a levy on gas suppliers to support green gas injection to the grid, increasing the proportion of biomethane in the grid, expected to be implemented in autumn 2021. Costs expected to be passed onto gas bill payers. The expected impact is relatively small; around £1 a year on the average household energy bill, rising to around £5 by 2025; that’s c.0.5% of an average household’s dual fuel bill. ‘A robust cost control framework is expected’, which includes an annual budget cap;
- £100 million of funding in total for 2022/23 and 2023/24 for grant-funding for households and small non-domestic buildings, to install heat pumps, or biomass in limited circumstances, to replace fossil fuel heating. This will form part of government action to help build supply chains ahead of future measures to phase out high-carbon heating;
- £270m for a Green Heat Network Fund to run from 2022 to 2025, to follow on from our Heat Network Investment Project. This new targeted fund will ensure that heat networks adopt the most cost-effective low carbon heat sources and will avoid locking in gas generation in the sector.

Ahead of these schemes being established, the Budget announcement has confirmed that the Government will:

- Extend the Domestic Renewable Heat Incentive (DRHI) for a year to 31 March 2022, maintaining support for heat pumps, biomass and solar thermal; and

- Introduce a third allocation of Tariff Guarantees under the Non-domestic RHI (NDRHI). These will be available for all technologies that have been eligible for the previous two allocations.
- Provide £20m of R&D funding for distillery companies to investigate green options (such companies have previously pursued Anaerobic Digestion projects).

BEIS say they will shortly:

“Launch a consultation setting out detail on the proposals for future support for green gas through a new levy, and new exchequer grant-funding to support heat pump and biomass deployment; and Publish further information on the proposed changes to the RHI schemes, and the future of the Non-Domestic RHI scheme.

Later this year consult on the details of the Green Heat Network Fund.”

Environmental Tax Measures

There were references to ‘levelling up the UK with whole new green UK industries’. The main changes proposed included:

- The Climate Change Levy (CCL) from 2022 will be frozen on electricity used, raised on gas to £0.00568/kWh in 2022-23 and to £0.00672/kWh in 2023-24.
- The corresponding Climate Change Agreements for major energy users (CCAs) will be extended by 2 years.
- Double Energy innovation R&D funding to £1bn.
- Carbon pricing after the transition period – The Budget states that: *The UK will continue to apply an ambitious carbon price from 1 January 2021 to support progress towards reaching net zero. The government will legislate at Finance Bill 2020 to prepare for a UK Emissions Trading System (ETS), which could be linked to the EU ETS. The government will also legislate for a carbon emissions tax as an alternative carbon pricing policy and consult on the design of a tax in spring 2020.*

Natural Environment

- A Nature for Climate Fund will be established, which will invest £640 million in tree planting and peatland restoration in England, increasing the rate of tree planting by over 600% and “covering an area greater than Birmingham over the next five years”.
- In addition, a new Nature Recovery Network Fund, which will “partner with businesses and local communities to protect, restore and support existing habitats and wildlife”. Also a Natural Environment Impact Fund to “help prepare green projects that could be suitable for commercial investment”.

Waste and recycling

- An additional £700,000 will establish the Extended Producer Responsibility scheme, designed to encourage producers to make their packaging more recyclable and reduce the amount of unnecessary packaging in their products.

- Plastic Packaging Tax confirmed and consulted on – As announced at Budget 2018 the new Plastic Packaging Tax will apply from April 2022. The Budget sets the rate at £200 per tonne of plastic packaging that contains less than 30% recycled plastic. This will apply to the production and importation of plastic packaging. “The government will also extend the scope of the tax to the importation of filled plastic packaging and apply a minimum threshold of 10 tonnes of plastic packaging to ensure the smallest businesses are not disproportionately impacted”.
- The Budget announces the launch of a further consultation on the detailed design and implementation of the tax, which includes consideration of an exemption for certain types of medical packaging. Available here: <https://www.gov.uk/government/consultations/plastic-packaging-tax-policy-design>
- The Budget will also provide £7.2M of funding for a digital waste tracking system, as well as £2 million to improve evidence on where fly-tipping happens and the best ways to deter it.

Fuel consumption & Transport Decarbonisation

- Abolition of red diesel tax ‘and rebated biofuels’ relief for most sectors from 2022. Agriculture will retain the relief. So will rail, domestic heating and fishing. The government will consult on whether the entitlement to use red diesel and rebated biofuels is justified for any other users.
- Fuel duty remains frozen for another year at least.
- The Plug-in Car Grant is to be extended with a £403 million boost, extending it to 2022-23.
- Plug-in Grants for vans, taxis and motorcycles will be extended with £129.5 million extending them to 2022-23
- From 1 April, the Government will exempt all EVs registered until March 2025 from the Vehicle Exercise Duty (VED) ‘expensive car’ supplement.
- Call for Evidence to be published on the use of VED to increase uptake of zero and low emissions vehicles. Link here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871749/VED_final.pdf
- To help develop more alternatives to fossil fuels the government is doubling R&D investment in clean energy via the Energy Innovation Programme to £1 billion.
- On Company Car Tax, Government will extend first year allowance on zero emission cars and raise eligibility criteria
 - Government will extend first year allowances to ZEVs only and apply the main rate writing down allowance (WDA) of 18% to cars with emissions up to 50g/km. The special rate WDA of 6% will apply to higher polluting cars with emissions above 50g/km.
 - First year allowances for zero emission goods vehicles and natural gas and hydrogen refuelling equipment will also be extended.
- Investing £300m to reduce nitrogen dioxide pollution in urban areas.

EV Infrastructure

- £500 million to invest in a UK rapid charging network, so that drivers are never more than 30 miles from a charge point.
 - A Rapid Charging Fund to be established to support grid connection costs – details to be confirmed but REA in contact with relevant officials
 - An extension / revision of the review of public charging along the motorways (known as Project Rapid) which has been on-going since July 2019
 - The REA understands that this is part of a wider package of measures being considered as part of Project Rapid. More details may be revealed in the National Infrastructure Strategy this Spring.
- No news on the EV Homecharge Scheme or the Workplace Charging Scheme, but that does not necessarily mean that this is the end for them. Government will confirm the future of the schemes in the coming weeks.

Business Support and New R&D Funding

The following measures will also be of interest to members:

- £800m for an 'ARPA style' R&D funding Agency on big-picture issues
- £20m of R&D funding for distillery companies to investigate green options (such companies have previously pursued Anaerobic Digestion projects).
- £130m of start-up loans to new UK businesses
- £200m British Business Bank funding for scale-ups in the UK
- £5bn in Export guarantees, regional trade envoys in embassies abroad
- R&D Tax Credit raised from 12 to 13%
- Structures and Buildings allowance increased to 200%
- Employment allowance increased to £4k
- R&D Spend to be increased to £22bn, a 15% increase in 2021
- £900m for 'nuclear fusion', space, EVs research
- £400m R&D spending outside the South East, East and South West.

Wider measures open to UK Businesses of interest to members

Coronavirus related Economic stimulus open to all eligible UK businesses

- Full sick pay due to Coronavirus self-isolation will be covered by Government up to two weeks.
- A Loan fund of up to £1.2 million for small and medium sized businesses to help them get through the virus's impacts.
- A £5bn Emergency Response Fund, as part of a total of £18 billion of spending.
- Interest rates have also been cut to 0.25% by the Bank of England today.

- Business Rates abolished for shops, cinemas and others. Also 100% Business Rates discount for eligible leisure businesses. Over half of all business properties will pay no Business Rates. (£5k discount for pubs)
- National Living Wage to rise above £10/hour by 2024
- Corporation Tax unchanged (a confirmation of the reversal of the proposed cut, put towards funding the NHS)

Business Rates

- For the coming year abolishing business rates for retail. 100% retail discount also extended to whole hospitality sector including museums, leisure and hotels. 45% of all business properties in England will not pay any business rates.
- To support small businesses eligible for the small business rates relief, and therefore unable to benefit from additional business rate relief, the govt will provide £2.2 billion to local authorities. For a property with a rateable value of £12,000 - this equates to a £3000 grant.
- Business rate discount for pubs will rise from £1000 to £5000.
- Local newspapers to continue to get £1,500 discount until 2025.
- Public loos to get 100% relief from April – local authorities to be compensated.
- Full review of business rates in autumn 2020.
- Continued business rates retention for the Devolution Deal areas and GLA.

The REA will continue to monitor developments and update members as soon as more is known.

REA, March 2020