REA submission to the Development of the Labour Party's Manifesto 2023

The Association for Renewable Energy & Clean Technology (REA) is pleased to submit this response to the above consultation. The REA represents renewable electricity, heat and transport, as well as Electric Vehicle charging infrastructure, Energy Storage and Circular Economy companies. Members encompass a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are around 550 corporate members of the REA, employing around 80,000 people across the country, making it the largest renewable energy and clean technology trade association in the UK.

The Labour party has a real opportunity to be seen as the party to deliver Net Zero, following years of warm words but mixed actions. Labour must seize the opportunities and offer real and long term support for the sector to achieve this. This means providing stable, consistent policies that can be invested in. Funding the enabling system for Net Zero is central to this – meaning adequately resourcing regulators especially - such as the Environment Agency, and devolved equivalents, Ofgem, and HSE. This will speed up the currently often cripplingly slow decision making and permit issuing process and smooth the development of the sector.

REA and industry recommendations to grow the renewable and clean technology sector and reach /net Zero

The REA's members across renewables and clean technology recommend the following changes to grow the green economy and deliver the opportunities from the sector, which is a significant opportunity for any future government:

Supporting all renewable and clean technologies

- Stable, long term policy support is essential to growing a successful sector.
- Provide capital allowances for renewable energy and clean technology investments, providing a tax break that will encourage more private investment into the market.
- Public investment can also play a significant role – for example utilising the UK Investment Bank and proposed GB Energy to invest in emerging technologies (such as geothermal, wave and tidal) which offer great potential for the UK in terms of lowering emissions but also industrial benefits.
- Finalise and launch delayed support mechanisms around strategically important and innovative energy technologies, key to decarbonisation, this includes business models for Greenhouse Gas Removal, Bioenergy Carbon Capture and Storage, Hydrogen and Long Duration Energy Storage. Also fund the separate

collection of food and garden waste as committed to in legislation but not yet delivered.

- Bring forward a renewed and well-funded ambitious energy efficiency scheme to speed up the installation of energy saving measures in people's homes and businesses.

Measures to move to a more Circular Economy

- Labour must confirm their high level commitment to a Circular Economy, and ambitious recycling and sol quality aims. If not yet forthcoming, finding for the movement to separated food and garden waste collections must be confirmed as soon as possible and the waste hierarch classification reviewed.
- Fund the enabling system for the waste and recycling industry – meaning adequately resourcing regulators especially - such as the Environment Agency, and devolved equivalents, Ofgem, and HSE. This will speed up the currently cripplingly slow decision making and permit issuing process and smooth the development of the sector.
- Launch a support mechanism for the organic recycling sector, specifically composting and AD plants to drive research, development and investment in machinery to decarbonise their processes (i.e. replacements for diesel powered machinery).
- Exempt independently certified compostable plastic packaging from the Plastic Packaging Tax where it contains at least 50 % (by weight) bio-based content.
- Greater consideration could be given to the re-use and recycling of energy assets at the end of their life for example battery storage devices and solar modules. GB Energy should fully consider these factors in investing for the long term and more investment be put into UK recycling facilities across the board.

Measures to decarbonise transport in the UK, including a shift to EVs

- Commit to moving beyond the current 10% renewable fuel blend at the petrol pump, with other countries now moving significantly beyond this level.
- Support for the upfront costs of moving from petrol and diesel HGVs, buses, coaches and L-plates. These could be to hydrogen, biofuel and electrified versions but all alternatives must be considered.
- Finalise and launch without delay an ambitious Zero Emission Vehicle Mandate to speed up the sale of new EVs and continue the decarbonisation of the wider transport sector by supporting all technologies available including renewable transport fuels for Heavy Goods Vehicles.
- Harmonise VAT rates for electricity used for public EV charging (currently 20%) in line with that for private, at-home charging (5%). This would also help levelise support with conventional vehicles as petrol and diesel fuel Duty has been frozen at the past two budgets, minimising the financial attractiveness of moving to an EV.

Measures to decarbonise the Heat sector

- Above all, an ambitious, long term heat decarbonisation scheme must be introduced across the UK, alongside energy efficiency support.
- Provide further support for domestic consumers by greatly expanding the Boiler Upgrade Scheme (BUS) in its funding to ensure consumers are able to replace expensive fossil fuel boilers with cheaper, cleaner, renewable alternative. Introducing a support mechanism for domestic energy efficiency improvements.
- Provide interest free grants for home and business on-site renewable and energy efficiency measures – as provided in Scotland already for the Energy Saving Trust.
- Help UK businesses struggling with their un-capped runaway energy bills by closing the policy gap left by the closure of the Non-Domestic RHI (NDRHI). This could be achieved by introducing funding for a commercial heat fuel switching tariff or CFD.
- Support innovative renewable heating by providing funds for a Geothermal Development Incentive (GDI). This will provide assurance to the geothermal development market by providing funding to geothermal projects that successfully generate heat.
- Commit to supporting commercial and industrial heat decarbonisation, and encourage them off expensive imported gas, by developing a fuel switching tariff to enable them to switch to a low carbon alternative.
- Hydrogen is a cross sector solution to decarbonise and widely supported by both industry and unions – we urge Labour to build on the 20230 hydrogen production targets and support its production as well as blending into the grid.

Measures to decarbonise the power sector and deploy more Energy storage / Smart green technologies

- Move to 6-monthly CfD auctions to scale up the decarbonisation of this sector. Also introduce a simplified CfD for smaller projects which struggle with the complexity of the 200 page+ CfD contract.
- Reform grid connection procedures and speed up the upgrading of the electricity grid to enable decarbonisation. This should include innovative new technologies such as energy storage, to avoid the need for expensive overhead wire replacement in all cases. There may also be a case for more undergrounding of cables to gain public support for such large infrastructure schemes.
- Extend Permitted Development rights to new small scale on farm wind turbines (up to a height of 30m would be in line with rights for mobile telecommunications equipment).
- If still in place, reform the Electricity Generator Levy (EGL) to provide Investment tax reliefs at least equal to those offered to oil and gas companies and shorten the sunset clause of the Electricity Generator levy, so that it comes to an end in 2026 rather then 2028 – ensuring it is focused on capturing exceptional profits related to the current energy crisis, not disincentivising future investments.

- *Review Planning Rules to ensure all new builds (domestic and non-domestic including warehouses) have adequate solar panels installed.*

  All new build homes are required to include energy saving measures, including solar PV, to pass Energy Performance Certification (EPC) requirements. Most building work carried out in England must comply with the Building Regulations 2010 and by 2025, the Future Homes Standard or Future Building Standard. Under Part L of the building regulations, EPC ratings has been mandatory for all new homes since 1995. However, new rules in Part L will mean that new builds will be required to be more self-sufficient, and new buildings must now achieve a "pass". CO2 emissions from new build homes from 15 June 2022 must be around 30% lower than previous standards and emissions from other new buildings, including offices and shops, must be reduced by 27%.
  Developers can install solar panels on new buildings to ensure that they pass the EPC rating. However, only a few panels are required to be installed to meet these requirements. To encourage more rooftop solar, planning could be reformed in the following way:
- Make the minimum percentage of consumed electricity on site higher and more standardised across councils.
- Mandate that all new builds have solar panels installed and can self-generate a meaningful percentage of consumed electricity on site.

- *Reform the Smart Export Guarantee (SEG) to make tariffs more attractive*

  The Smart Export Guarantee (SEG) scheme requires electricity suppliers to offer a tariff to buy generation from small scale generators, such as rooftop solar sites. While the SEG has been useful in providing a route to market for small scale on-site generation, it has not been a totally effective replacement to FiTs. A key reason for this has been lack of minimum tariff that must be offered by suppliers. In today's market, tariffs range from 2p/kWh to 15p/kWh.[1] This has meant that homeowners do have to shop around for a SEG tariff and may have to sign different agreements with different suppliers.
  By comparison, average unit rates for electricity supply, charged by suppliers for domestic electricity is today around 34p/kWh. This is double even the most generous SEG tariff offered to small scale generators, although it is recognised supplier's unit rate include other charges beyond the price of wholesale electricity.[2]
  The SEG should be reviewed to make it more attractive for more onsite generation. This could include introducing a minimum mandatory tariff that is indexed to the price of wholesale electricity, ensuring rooftop solar generation is receiving a tariff closer to wholesale cost of electricity being brought in the wider market. This is in turn will dramatically reduce solar pay-back periods.
  In addition, suppliers can be encouraged to do more with the SEG to offer smarter tariff options when combining solar with other clean technologies, like

[1] https://solarenergyuk.org/resource/smart-export-guarantee/
[2] https://www.ofgem.gov.uk/information-consumers/energy-advice-households/check-if-energy-price-cap-affects-you

heat pumps, battery storage and EV charging. Octopus energy have been particularly innovative in this area.

- *Promote Local Authority led solar 'group buying' schemes*

  Instead of each homeowner purchasing their own solar panels, Local Authorities can facilitate group-buying schemes. For example, Solar Together is a scheme run by iChoosr, a group-buying specialist in solar technology, who work with local authorities to deliver a group-buying scheme for solar panels and battery storage, while taking on the costs of the administration of the scheme.
  iChoosr's primary role is to support local authorities to deliver Solar Together locally as well as maintain and run the online platform, taking on the administrative costs of the scheme. The Local Authority promote the scheme to local residents as well as building it into their decarbonisation strategy. The scheme works by iChoosr inviting installers to compete in an auction for who can offer the best price for a group of homeowners in a Local Authority who have indicated an interest in installing solar. The auction is a reverse auction, utilising the group buying power, to have installers bid for the work with the lowest price, while maintaining high standards, being recommended to the group of residents.
  According to iChoosr's 2021 annual report, there have been 25 schemes across the UK, 122,000 registrants, 79,500 solar panels installed, and the savings against the typical market price are 20-35%. Solar Together works closely with Local Authorities across the country to help them reach their carbon targets.[3] In 2021, iChoosr launched the fourth rounds of Solar Together London and Solar Together Suffolk, and the fifth round of Solar Together Norfolk. This scheme has been successfully used by local authorities across the country, but it has primarily been used by local authorities in the south and east of England. The scheme could be promoted to other local authorities across the West and North of England. Equally Labour's EB Energy, could be the contracting party in place of a local authority, running either regional or country wide group-buying exercises.

- *Include energy storage on the Energy Saving Materials list – to secure 0% VAT. Especially allow for retrofit of storage on existing renewable sites.*

  In the Chancellor's Spring Statement 2022, it was announced that a zero rate for VAT would apply to the installation of specified energy-saving materials in residential homes in England, Wales, and Scotland, and a reduced rate in Northern Ireland if certain thresholds are met. Solar panels are included in the list of energy-saving materials.
  Battery energy storage devices also qualified for 0% VAT if supplied as part of a solar installation. With zero VAT on the whole system, it is easier for contractors to sell complete energy-saving solutions to homeowners. However, installing

[3] https://ichoosr.co.uk/wp-content/uploads/2022/03/Final-iChoosr-Annual-Report-2021-Online-.pdf

standalone battery energy storage devices has not been included within the list of energy-saving materials, and continues to attract 20% VAT. This lack of inclusion disincentivises retrofitting and penalises those who cannot afford to pay for a complete energy-saving solar system all at once. There are large number of existing solar installations that would be made more efficient, and provide greater efficiencies, if battery storage was retrofitted onsite.
Battery storage is the only domestic solution to helping shift solar generation to meet peak demand in an average household. Solar panels typically produce energy during the day, while homeowners typically consumer most energy in the evening. Battery storage enables households to make the most of the energy they are generating on-site, reducing the amount of energy they need to take from the grid and lead to substantial bill savings.
We recommend including the standalone installation of battery energy storage devices in the list of energy-saving materials as a matter of urgency.

- *Provide No or Low interest government backed loans for installing solar/renewables and home energy efficiency measures*

  Given that capex remains a significant barrier to deployment for rooftop solar, government backed low interest loans for energy saving improvements could help address consumer barriers. Such a scheme already operates successfully in Scotland and could pay for solar installations, alongside a range of energy saving materials within the home.[4] The aim of these loans would be to, fully or partially, cover the cost of installing solar panels and other efficiency materials, to be paid back over a certain number of years. Banks are also now well placed to administer such loans, with a similar scheme having been used by government to provide support to businesses during the covid pandemic.
  The upfront cost for the consumer can then be spread over an average of how long it would take to pay back the installation of solar panels without the loan, but still designed in such a way that households would reduce their monthly energy bill by installing solar panels.

Please do not hesitate to contact us for further information or to discuss any of these recommendations further.

REA, March 2023

[4] https://www.homeenergyscotland.org/funding/grants-loans/