



REA Member Briefing – Government Environmental and Energy Security Announcements, March 2023

Introduction

The Government released over 40 policy decisions, consultations and related documents on 30th March 2023, across energy and Net Zero policies. This is a member briefing on the most relevant issues for REA members. Continued analysis will take place on the details and members updated.

The Government summary of the announcements can be read [here](#).

REA Response

Overall, we welcome the announcements made as bringing greater clarity for the sector, especially EV charging, but flag that there are still significant policy gaps in several areas, especially bioenergy. The Government's own analysis suggests these measures will be enough to only reach 92% of our required international emissions reductions by 2030 and much of the announcements are re-announcements of previous policy and decisions. We are also concerned about the lack of support for Biomass and Bioenergy Carbon Capture Usage and Storage projects.

You can read the REA's initial press response to the day as a whole [here](#).

Our statement on BECCS is [here](#).

Our statement on the EV announcements is [here](#).

Links to Government measures and publications made 30 March 2023

- The [full Energy Security Plan – Powering Up Britain](#)
- The [government response to the Net Zero Review by Chris Skidmore MP](#)
- [Floating offshore wind competition](#)
- [National Policy Statements – planning](#)
- [Sustainable Aviation Fuel \(SAF\) Mandate Consultation](#)
- [Smart and Secure Electricity System \(including NIS\) proposals](#)
- [The 2023 Green Finance Strategy - Mobilising Green Investment](#)
- [The government response to the Energy Company Obligation+ scheme consultation](#)
- [Community benefits consultation](#)
- [A government consultation on regulating ESG ratings providers](#)
- Sir Patrick Vallance's [Pro-Innovation Regulation of Technologies Review – Green Industries](#) and the government response
- [Terms of Reference for a Review into HM Government's approach to attracting Foreign Direct Investment](#)
- [CCUS Track-1 Project Negotiation List](#)
- [CCUS Track-2 guidance](#)

- [Shortlist for the first electrolytic hydrogen allocation round](#)
- [List of successful applicants to strands 1 and 2 of the Net Zero Hydrogen Fund](#)
- [Consultation on addressing carbon leakage risk to support decarbonisation](#)
- [2030 Strategic Framework for International Climate and Nature Action](#)
- [UK International Climate Finance Strategy](#)
- [Nature Markets Policy Framework](#)

Cross-sector measures

- *Government has responded to the recommendations of the **Chris Skidmore MP Net Zero Review***
 - They have *accepted* measures such as: the creation of a new Solar Taskforce and regulators Net Zero Forum; a revised green finance strategy, a new Energy Efficiency taskforce; possible devolution Net Zero deals; the Zero Emission Vehicle mandate for EV sales. The Distributional analysis tool used in the report has been adopted in Government.
 - There were several '*maybes*' or broad agreements with no specific actions pledged - some movement on planning barriers with the NPPF reviews, but not at the full scale required; a 'consideration' of a 2033 new gas boiler ban date; energy efficiency was acknowledged as important but with weak commitments and targets – Chris Skidmore himself believes however that this could leave it open to a future wider programme but it was disappointing.
 - They have *not accepted* the following measures: the creation of a new Office for Net Zero Delivery; changing Ofgem's deliverables to reflect Net Zero; a 2027 plastic exports ban; revised public procurement standards for key supplies; piloting a Net Zero city by 2030; backing the Local Electricity Bill; or a Strategic review of the UK's international climate change leadership following the end of COP26.
 - In total, Chris Skidmore's team assessed the response as 53 recommendations adopted, 100 more with broad agreement from Government, while there were around 29 recommendations turned down.
- *Government has published an **update to the Energy Security Strategy**. 'Powering Up Britain'.*
 - The 'Powering Up Britain' publication has two parts, a 'Energy Security Strategy' and a 'Net Zero Growth Plan'.
 - The main areas of interest to members are set out below.
 - The 'Energy Security Strategy' is a run through of mostly existing policies and targets, such as the 70GW solar PV target and 50GW offshore wind target, both by 2035.
 - It also confirms commitment to up to eight new nuclear reactors.

- The overall aim for a net zero electricity system by 2035 was reiterated, which is welcome.
- **A Carbon Budget Delivery Plan** was also published running through the various measures already planned (as noted above these plans are acknowledged as enough only to get us to 92% of the required emissions reductions by 2030) – [available here](#).
- Government also claimed to have officially launched the next CfD Allocation Round. But this in effect had already happened the previous week (see member note) so is not a new announcement.
- *The Sir Patrick Vallance review into Emerging Technologies and Government response*
 - The Government response confirms they will adopt all nine of the report's recommendations.
 - REA fed strongly into the review, hosting a dedicated roundtable, so we are pleased to see this outcome.

Measures to decarbonise the Heat sector

A consultation has been launched on a new Clean Heat Market Mechanism (CHMM) - the CHMM will, from 2024, place an obligation on the manufacturers of heating appliances to meet targets for the proportion of low-carbon heat pumps they sell each year, relative to fossil fuel boilers:

- The sale of fossil fuel boilers up to 70kWth capacity in the UK market (fired by natural gas, LPG, or oil) is considered a relevant boiler sale under the CHMM. The first sale of these boilers to a UK buyer, including wholesalers, bulk purchasers, and end consumers, is included in relevant boiler sales.
- 'Hydrogen-ready' gas boilers that are convertible to burn 100% hydrogen if parts of the gas network convert to supply hydrogen, are also considered relevant fossil fuel boiler sales.
- Obligated parties need to achieve the installation of a certain number of heat pumps up to 45kWth in existing UK properties. Air-to-air heat pumps and biomass boilers are not included in the obligation, only air-to-water, ground-to-water, or water-to-water heat pumps that can provide both space heating and hot water.
- Low-temperature heat pumps and higher-temperature heat pumps are not differentiated at the outset of the scheme, but the government will consider differentiation in later years. Qualifying heat pump installations need to meet high-quality standards, and heat pump installations must be notified via an appropriate certification scheme to generate credits in the CHMM.
- Multiple heat pumps within the 45kWth appliance capacity limit installed together to heat one premises are out of scope and do not qualify for a scheme credit. Installations of hybrid heating systems that include both a heat pump and a fossil fuel boiler will qualify towards meeting the obligation, but a lower credit weighting will apply.

- Hydronic electric heat pumps are the focus of the scheme, and other low-carbon heating technologies are not included at the outset of the scheme. Heat pump installations in non-domestic properties are qualifying installations, provided that the other installation and appliance criteria are met.

Other heat measures include:

- A **new £30million Heat Pump Investment Accelerator** is 'designed to leverage £270million private investment';
- The **Boiler Upgrade Scheme extended by three years to 2028** (there are no details on further funding as yet however);
- ECO+ scheme rebranded as Great British Insulation Scheme, provides £1 billion insulation for people in council tax bands A-D by 2026, launching in April as planned
- Net zero hydrogen fund to unveil first tranche of successful bidders, the pot worth £240 million opened for applications last April

None of these measures are new as most have been announced previously and there appears to be no new funding available – aside from the market mechanism proposals.

Measures to decarbonise the power sector and deploy more Energy storage

Biomass Power

- Within both Energy Security Plan and Net Zero Growth Plan Government reiterates that Biomass does have a role to play in both net zero and energy security. They restate the Biomass Policy Statement from 2021, which was a interim report in the development of the Biomass Strategy.
- Much of the statement recommits to the publication of the Biomass Strategy, and for the first time, provide a more refined timeframe of seeing it published “by the end of June 2023”.
- They reiterate that the strategy will review the amount of sustainable biomass available , along with the role of BECCS and how it could be deployed.

Power BECCS business Model

- Separately Government published their response to Power BECCS business model consultation. They confirm their intention to move forward with the Dual CfD Model, which provides separate payments for both the electricity generated (CfDe) and the carbon captured (CfDc).
- They recognise that further work will need to be done to work out how the CfDc strike price will be set and acknowledge that this will need to be separate to the CfDe strike price.

- Their current position also suggest projects will be able to choose and justify a term length of between 10 and 15 years, while support for Transport and Storage will be paid separately to the two strike prices.
- Finally, the response details the policy development taking place to develop Greenhouse Gas Emissions Criteria specific to power BECCS.
- It is worth noting they received 1024 responses to the consultation, although 987 of these were responses from a coordinated email campaign that was fairly anti-biomass.

CCS Allocation Track-1 Project Negotiation List

- Government also confirmed they were taking forward 8 CCUS projects in Track-1 of the Cluster Sequencing process.
- Disappointingly this did not include any Power BECCS projects, although Government are keen to reiterate that 'Track-1' does not represent the extent of government ambition on CCS.
- In relation to Power BECCS they committed to continuing to engage with the two Power BECCS projects who were not successful and remain committed to achieving 5Mtpa of engineered gas removals by 2030.
- In addition, they also announced today that they are launching Track-2 to identify 2 new clusters and will launch a process later this year to enable further expansion of the Track-1 clusters.
- There, however, remains little clarity of how smaller scale BECCS projects will be able to enter these allocation processes.
- The REA issued a dedicated and strong press statement expressing our disappointment in the outcome of CCS Allocation process, calling for government to urgently push forward on Power BECCS and provide clarity for how projects at all scale can be delivered. This statement can be [read here](#).

Solar

- Establishment of a Solar Government-industry taskforce and the promise to publish a solar roadmap in 2024, for both rooftop and ground-mounted solar, setting out a deployment trajectory to achieve 70GW solar capacity by 2035.
- Consultation on the Future Homes and Building Standards will explore how to further drive onsite renewable generation, including rooftop solar on new homes and buildings. This consultation will be published later in 2023.
- A Net Zero Skills and Workforce Action Plan to be published in 2024, which will address emerging workforce challenges, including for solar.
- Clear commitment to not making changing Best and Most Valuable categories of agricultural land to constrain solar deployment. The Government also acknowledged the role of agrivoltaics in balancing the demands of food security and solar development.

Energy storage (excluding hydrogen storage)

- Government plans to put in place an appropriate policy framework by 2024 to enable investment in large scale long duration electricity storage (LLES).

- The Government is working with the Storage Health and Safety Governance Group to ensure that a health and safety framework is sustained as electricity storage deployment increases. Later this year, the Government will publish a product and installation standard (known as a Publicly Available Standard) for domestic/small-scale battery storage as well as guidance for grid-scale storage.
- Government to announce further recipients of funding early this year under the second phase of the Longer Duration Energy Storage programme, which aims to accelerate the commercialisation of innovative LDES.
- The UK Investment Bank will invest in shorter and longer duration energy storage, up to £200million.

Planning

- Government wants to design a fast-track consenting timeframe to accelerate the planning consent process, which would be available for certain Nationally Significant Infrastructure Projects and would reduce the maximum formal examination period to twelve months. The consultation for these proposals will be published in spring 2023.
- For onshore wind, Gov will respond to the consultation on reforms to National Planning Policy Framework by spring 2023. The Gov will also release a new consultation to gain views on how to develop local partnerships for onshore wind.

Measures to decarbonise the Transport Sector

Renewable Fuels Market

On the fuelled transport market, the Government has published its next stage consultation on the **Sustainable Aviation Fuels (SAF) Mandate**.

This will require a certain level of blended sustainable fuel in aviation fuel from 2025. The [consultation can be accessed here](#) and includes:

- overarching targets to be set for 2030 and beyond
- targets to supply power to liquid fuels and a cap on hydrotreated esters and fatty acids
- potential buy-out price, which determines the maximum incentive for supplying SAF
- eligible fuels and sustainability criteria
- design of the scheme

Electric Vehicles

The Government published their [response](#) to the EV Consumer Experience at Public Chargepoints consultation, their [response](#) to the Smart Systems and Energy Security

Consultation and re-announced the LEVI Fund.

EV Consumer Experience Regulations Government Response:

- Members will remember in January receiving a copy of OZEV's final minded to position the regulations. However, subsequently there have been some small changes members will welcome. We expect the regulations to be laid before Parliament in early Q3 (July).

To be enforced upon the regulations coming in force:

- Pence per kWh is used at all public chargepoints.
- The pricing offer is clearly displayed to the consumer before charging commences, whether this is on the chargepoint, through a separate device such as an app or website.
- The price cannot increase once charging has commenced.

To be enforced 12 months after the regulations come in to force:

- A 99% reliable charging requirement across the rapid network, including the Strategic Road Network (SRN), trunk roads and Motorway Service Areas (MSAs).
- Mandate that all static and some dynamic data is made openly available, as specified in technical guidance.
- Mandate the adoption of Open Chargepoint Interface Protocol (OCPI).
- The Government has mandated a minimum payment method for all new chargepoints **8kW** (previously announced as 7.1kw) and over, as well as retrofit existing chargepoints at **50kW** and over.
- All charging networks for all public EV chargepoints have a free 24-7-hour helpline when consumers experience an issue trying to charge.

To be enforced 24 months after the regulations come into force:

- Mandate industry-led payment roaming, with enforcement to come into effect from 24 months after the legislation comes into force.
- Allow a provision for Government to designate approved providers if industry does not demonstrate sufficient progress in this timeframe.
- Government will then take powers to mandate a 99% reliable charging network across the entire public UK network if progress has not been made.

- Government will list publicly the chargepoint operators who do not maintain a reliable network and enforce self-reporting until open data has come into effect.

Smart Systems and Energy Security Consultation Government Response:

Summary of initial consultation:

- Require all organisations capable of remotely controlling large electrical loads (greater than 300MW in aggregate) to comply with the Network and Information System Regulations, using the Cyber Assessment Framework.
- Require energy suppliers to make time-of-use-tariff data openly available in a common format, accessible over the internet.
- Ensure that larger domestic-scale energy smart appliances, including EV charge points, batteries, and heating appliances (e.g. heat pumps) are interoperable with demand side response service providers, using ESA standards.
- Require smart heating appliances and batteries to meet cyber security and grid stability requirements, similar to those already in place for EV charge points.
- Require electric heating appliances with the greatest flexibility potential (namely heat pumps, storage heaters and heat batteries) to have smart functionality.
- Establish a proportionate and flexible licensing framework for organisations providing demand side response to domestic and small non-domestic consumers.

Commitments in the Government Response to be enforced from 2025-28:

- Bring load controllers into the scope of the Network and Information Systems Regulations.
- Use a **300MW** threshold for load controllers to be considered Operators of Essential Services under the Network and Information Systems Regulations.
- Use the Cyber Assessment Framework as a means of assurance in relation to the security duties under the NIS Regulations.
- These proposals are subject to Parliament granting powers to amend the NIS Regulations, as set out in Government's proposal for legislation to improve the UK's cyber resilience.
- Use the proposed interoperability, cyber security, grid stability and data privacy "outcomes" to inform future regulation of energy smart appliances.
- Require energy suppliers to make time-of use tariff data openly available in a common format, over the internet.

- Require compliance with standards for energy smart appliances, including EV charge points, batteries and heating appliances, through proportionate regulation.
- Work with industry and BSI to develop a standard, based on PAS 1878, for the future regulation of energy smart appliances.
- Require compliance with minimum cyber security requirements for energy smart appliances, using the ETSI 303 645 standard, in advance of longer-term standard developments.
- Develop a new licensing framework for organisations carrying out DSR, focussed on domestic and small non-domestic consumers.
- Focus the licence, at least initially, on the relationship between domestic and small non-domestic consumers and demand-side response service providers (DSRSPs).
- Base development of the licencing framework on the design principles set out in the consultation, with additional suggestions from stakeholders being kept under review.

Future SSES Consultation Topics:

Most significantly for members the Government has committed to consulting on possible provisions to ensure cyber security of load controllers that are **below the 300MW** threshold for the Network and Information Systems (NIS) Regulations requirements.

In addition they will consult on:

- Changes to the NIS regulations using delegated powers, as set out in the Government's response to the call for views on proposals to improve the UK's cyber resilience.
- The approach to mitigating grid stability risks from energy smart appliances.
- The details of the assurance approach for energy smart appliance standards.
- The role of common systems to mitigate potential system-wide risks from energy smart appliances.
- The cost recovery approach.
- The technical and governance solution for interoperability of time-of use tariff data.
- How Government define small non-domestic consumers and load control actions to include in the licensing scope.

- Defining a proportionate approach for licensing conditions depending on the extent of risks posed to consumers and the grid.
- Possible additional protections for consumers and data privacy.
- Interoperability gaps such as contractual lock-ins.
- Controls to ensure grid stability from DSRSP load control activities.
- Delivery and implementation of the licensing regime

LEVI Fund Announcements:

- The Government has confirmed how much of the fund each Local Authority, Region and Combined Authority will be eligible for until 2025. You can see this [here](#). This means **£343 million** capital and **£37.8 million** resource funding will be available for the next two years and is the result of the cost of the pilots being deducted from the original £400 million capital and £50 million resource funding initially announced.
- After successful pilot projects, the whole fund is now live, and local authorities have until 26th May to apply. You can read more [here](#).

ZEV Mandate:

Context:

- In the technical consultation last year the Government proposed setting targets requiring a percentage of manufacturers' new car and van sales to be zero emission vehicles (ZEV) each year from 2024.
- For cars the Government were targeting 22% of car sales to be ZEV by 2024, 80% by 2030 and 100% by 2035.
- For vans the Government proposed 8% of van sales should be ZEV by 2024, 52% in 2030 and 100% in 2035.
- In addition, the Government proposed manufacturers will have ZEV sales converted into 'certificates' and be required to hold a certain number of certificates at the end of each year in relation to the total number of vehicles they've sold. The details of which were to be decided with the simplest proposal being one certificate per ZEV sale (hybrids would not be included in this).
- At the time the Government ruled out 'banking' or 'borrowing' of ZEV certificates within the regulation so that the annual targets are required to be met within the year in which they apply and cannot be met by sales achieved in either prior or future years.
- You can read our response to the consultation [here](#).

Headline Announcements:

- The Government has reaffirmed its commitment to the ZEV sales targets of **22% in 2024, 80% in 2030 and 100%** in 2035. You can read the full trajectory in Table 1 of the consultation.
- The Government has set more ambitious Zero Emission's Vans sales targets of **10% in 2024, 70% in 2030 and 100% in 2035**. You can see the full trajectory in Table 2 of the consultation.
- From 2030 even small volume manufacturers (less than 2500 sales a year) will be mandated to sell ZEV only vehicles.
- Manufacturers will be able to trade allowances as well as banked from previous years for a maximum of 3 years before they expire.

Banking/Borrowing:

- In the first 3 years (2024-26) a banking and borrowing system will be introduced to assist manufacturers adapt to the targets.
- Manufacturers who cannot achieve compliance in a trading period using allowances from that trading period or previous periods may choose to borrow allowances from a future trading period. The number of allowances that can be borrowed during any trading period is capped at **75%** of the ZEV credit target in **2024, 50% in 2025, and 25% in 2026**.
- This means that the actual level of ZEV sales manufacturers would need to meet between 2024-26 is 5.5% 14% 24.8% instead of the initial targets of 22%, 28% and 33%. This means we may see initially a slower reduction in carbon savings than anticipated.
- From 2027 no borrowing will be allowed.
- A manufacturer's allowance deficit is multiplied by **1.035** each year that it is not repaid, acting as a **3.5%** compounding interest rate. Any allowance deficit carried forward from 2026 must be repaid with allowances from the 2027 trading period (including through trading) or the participant must make a payment to the government.

Fines:

- The Government propose payments of **£15,000** per excess activity in the car scheme and **£18,000** per excess activity in the van scheme. For example if a manufacturer sold 2000 more ICE cars than required, they would be fined £2000 times £15 000 or £30,000,000.

ZEV Criteria:

- The Government propose that ZEV must mean zero emissions at the exhaust type but this includes hydrogen fuel cells.
- They must have a range of at least **120 miles**.
- Must have strong warranties:
- A minimum of **8 years or 100,000 miles** (whichever comes first) for traction batteries, hydrogen fuel cell stacks, and hydrogen tanks.
- For battery electric vehicles, the warranty must provide for replacement of the traction battery if it falls below 70% capacity during the covered period.
- A minimum of **3 years or 60,000 miles** (whichever comes first) for the remainder of the vehicle.

Next steps:

- The consultation will close on **24th May 2023** with a Government response due by **24th August**.

You can see the full consultation [here](#).

Finance measures

Mobilising green investment: 2023 green finance strategy

Full details available [here](#).

- Newly published 2023 Green Finance Strategy is an update to the 2019 document of the same name.
- Includes 5 key objectives:
 - UK financial services growth and competitiveness
 - Investment in the green economy
 - Financial stability
 - Incorporation of nature and adaptation
 - Alignment of global financial flows with climate and nature objectives
- Estimates that to deliver on UK's 2020 – 2030 net zero ambitions, an additional £50 - £60 billion in capital investment will be required each year.
- On enabling financial market alignment with UK climate goals, focus is on:
 - Providing transparency
 - Supporting the development of market tools
 - Supporting transmission channels
- On UK Green Taxonomy, Government has announced its intention to include nuclear power, though this will be consulted on.

- Supporting local authorities in their ability to attract private investment through the Local Net Zero Hubs, the UK Infrastructure Bank, the Local Investment in Natural Capital programme, and Investment Zones.
- Investment in:
 - CCUS, including £20 billion for early deployment
 - Low carbon hydrogen, including £240 million for the first 15 projects through the Net Zero Hydrogen Fund
 - Nuclear, through the new Great British Nuclear, an arms-length body responsible for driving new nuclear projects
 - Energy efficiency, through the Great British Insulation Scheme, which will provide an additional £1 billion in upgrades such as loft and cavity wall insulation
 - Floating offshore wind, through the Floating Offshore Wind Manufacturing Investment scheme, with £160 million to kickstart investment in port infrastructure projects.
- Actions:
 - Industry-led market review into how the UK can become the best place in the world for raising transition capital
 - Consultation on the introduction of requirements for the UK's largest companies to disclose transition plans (Autumn/Winter 2023)
 - Establish a framework for assessing the standards of the International Sustainability Standards Board (ISSB) (Summer 2023)
 - Launch call for evidence on Scope 3 GHG emissions reporting
 - Update the Environment Reporting Guidelines, which provides voluntary guidance
 - Work with industry partners to improve the approach to climate resilience assessment and disclosure, through the development of adaptation metrics and guidance (2024)
 - Deliver a UK Green Taxonomy (consultation Autumn 2023,
 - Consultation (published alongside this Strategy) on regulating ESG ratings providers
 - Re-launch the Green Finance Education Charter
 - Work with industry & the regulator to implement Solvency UK
 - Work with FCA and FRC and Pensions Regulator to review regulatory framework for effective stewardship
 - Government will engage with stakeholders through roundtables and a working group on clarifying fiduciary duty
 - Fulfilling commitment to align all new bilateral UK Official Development Assistance with the Paris Agreement in 2023
 - Publish a series of Net Zero Investment Roadmaps throughout 2023; and Nature Positive Investment Roadmaps in key sectors by 2024
 - Host a Global Investment Summit in September 2023
 - Consult on the steps and measures needed to ensure high integrity in voluntary markets, including carbon and nature markets
 - Co-deliver Just Energy Transition Partnerships in South Africa, Vietnam, and Indonesia

Nature markets: A framework for scaling up private investment in nature recovery and sustainable farming

Full details available [here](#).

- Provides a framework on how Government plans to increase private finance to nature by correcting the undervaluation of nature services.
- At this stage, the focus is establishing high-integrity standards, clarifying the role of institutions and regulators, and developing nature market infrastructure.
- Government have previously set a goal to grow annual private investment flows to nature to at least £500 million every year by 2027 in England, rising to more than £1 billion by 2030 ([Green Finance Strategy](#)).
- Framework sets out:
 - **Core principles** for high-integrity and effective nature markets;
 - **Current rules** for how current nature managers can access markets & combine income streams;
 - **New arrangement with British Standards Institution (BSI)** to develop high-integrity nature investment standards;
 - **Next steps** to clarify & develop institutional and regulatory role and market infrastructure.
- Summary of nature markets:
 - Like with carbon markets, creating tradeable units based on various land-based nature benefits, sold by suppliers who manage land, and bought by buyers either required to deliver biodiversity gains or voluntarily.
 - Market supported by private investors, brokers and intermediaries, and business and technical consultants.
 - Current
- Current market:
 - Emissions avoidance/sequestration compensated through UK Woodland Carbon code & UK Peatland Code
 - Compliance will be required to compensate for biodiversity impacts from November 2023 through the purchase of biodiversity net gain units
 - Voluntary markets being pioneered to compensate natural solutions which improve water quality and reduce flood risk

REA will continue to monitor developments and update members. Please contact the policy team for any specific enquiries.

REA, March 2023