REA Submission: Spring Statement 2024 – Stakeholder Representation

Version 1

The Association for Renewable Energy and Clean Technology (the REA) is a not-for-profit trade association, representing British renewable energy producers and clean technology and promoting the use of renewable energy in the UK. It has around 550 corporate members, making it the largest renewable energy trade association in the UK. More info available at www.r-e-a.net.

Summary (200 words max):

The renewables and clean tech sector is a vital part of the energy system and UK economy more widely. Overall, investor confidence must still be steadied following the experiences of the previous administration and the measures taken in response to the energy price crisis, especially the EGL.

The UK's response to the US Inflation Reduction Act and similar measures in the EU must be a major part of the Spring Statement, as alluded to in the Spring statement last year and must be ambitious and attract stable long-term investment in UK supply chains.

REA call for specific measures that will grow the sector - with the right support, jobs in renewable energy alone could reach 210,000 and contribution to the UK economy could double to £46bn, by 2035.

Such measures include: a new CfD for heat decarbonisation projects and Geothermal Development Incentive; investment allowances for renewable projects; support for regulators and local government to deliver ambitious recycling and composting targets; more ambitious RTFO targets for road transport fuels; Electric Vehicle rural infrastructure; and a repowering CfD for renewable power projects.

The REA would like to make the following recommendations on behalf of our members.

Cross-cutting renewables and clean tech industry policy recommendations

Asks

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Overall, investor confidence must still be steadied following the experiences of the previous administration and the measures taken in response to the energy price crisis, especially the EGL.

The UK's response to the US Inflation Reduction Act and similar measures in the EU must be a major part of the Spring Statement, as alluded to in the Spring statement last year and must be ambitious and attract stable long term investment in UK supply chains.

The government must with support of industry, develop and coordinate a comprehensive programme for green jobs training including re-skilling from existing industries, beyond the North Sea transition deal, which is in place and operational across multiple sectors by 2026 to ensure there are enough skilled staff available to rollout and maintain Net Zero technologies at scale in the UK.

Government must assist in the move to an industry that grows strongly on market drivers and enjoys strong public confidence, by helping drive strong standards across all parts of the renewables and clean technology industry, from investments to the operation of assets, as part of policy development with the following measures:

- ***Treasury and DESNZ must establish the UK's Green Taxonomy by the end of 2024*** which will introduce strong definitions for UK green financial activities. This will ensure a transparent definition for 'green' investments, as well as further UK global leadership in green financial products.
- ***Government must establish a commission to identify any gaps in existing guidance, building on the strength of existing regulations, to ensure best practice in relation to installations, supply chains and maintenance and operations for all renewable and clean tech technologies***. This will deliver high public confidence in the sector and address any existing technical deployment barriers.
- ***Treasury should also review the Green Book methodology***, and ensure full integration of the findings from the 2021 Treasury Net Zero Review.

Cost effectiveness

The REA has projected that, with the right support, jobs in renewable energy alone could reach 210,000[1].

We also project our sector's contribution to the UK economy could double to £46bn, by 2035.

Ensuring the Government's Simpler Recycling aims are met and investor confidence in the sector is restored – To be reviewed and updated

Ask

Ensure that the previously allocated funding for local authorities in England to implement free separate food waste collections from households is reaffirmed and fully implemented.

Background

The Resources and Waste Strategy for England[1] set out plans to preserve material resources by minimising waste, promoting resource efficiency and moving towards a circular economy in England. It included proposals for reducing greenhouse gas emissions from landfill by ensuring that every householder and appropriate businesses have a weekly separate food waste collection from 2023.

The Environment Act 2021[2] laid in November 2021 introduced the requirement for food waste from households to be collected at least once a week. The separate legislation to implement this along with details on the timing has been delayed. Industry is awaiting the Government response to the consistency in collections consultation, now known as Simpler Recycling.

In 2021, the Autumn Budget[3] allocated £300 million in 2023/24 and £100 million in 2024/25 to implement free, separate food waste collections in every English local authority. Due to the delay in the implementation of the policy, the timing of this is now mis-aligned. It is essential that this money remains available to local authorities to help with the introduction of food waste collections.

Local Authorities are planning how they can roll these collections out to their householders but many of them need confirmation on timing and the funding that will be available to do so prior to changing their services. It may take some local authorities a couple of years to implement the reforms when they come in. There is also the lead time for equipment and vehicles to consider. The delay has impacted the bin and vehicle manufacturers, bins and collection vehicles will be needed to facilitate the new collections and it is very difficult for companies to plan to meet demand when the timings slip.

[1] https://assets.publishing.service.gov.uk/media/5c18f11740f0b60bbee0d827/resources-waste-strategy-dec-2018.pdf
[2] https://www.legislation.gov.uk/ukpga/2021/30/enacted/data.xht?view=snippet&wrap=true
[3] https://assets.publishing.service.gov.uk/media/61c495ebe90e07196d2b8383/Budget_AB2021_Print.pdf

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Supporting growth

A separate food waste collection service can ensure food is treated in the most environmentally beneficial way possible, in accordance with the waste hierarchy. However, currently only around half of local authorities in England offer this service. This is mainly because it is costly to introduce, hence the importance that funding is available to implement these reforms.

Scenario modelling presented in WRAP (2016)[4] indicates an additional 8.4Mt of food waste (over an 8-year period relative to baseline and including flats) could be made available to the organics industry from the provision of food waste collection services across England as part of a common approach. Greater surety and consistency of feedstock supply can contribute to reduced investor and operational risks to businesses operating anaerobic digestion (AD) facilities.

Both AD and composting processes organically recycle biodegradable wastes where their respective digestate or compost output meets End of Waste criteria. Capturing food waste and treating it through anaerobic digestion and/or composting will have the potential to generate up to £280 million in renewable energy sales, supplying around 682,000 homes and improving the security of energy supply. It would also provide 8Mt of organic fertiliser to the agri-food sector, with a nutrient value of £30 million[5] or up to 4Mt of soil improvers (composts) to add much needed organic matter and improve soil health and help soil sequester carbon. The above data was published back in 2018, so some of the benefits and costs are likely to have increased considerably since then.

Extending separate food waste collections to more households should increase local authorities' recycling and composting rates by about 5 percentage points over current levels, and divert waste from incineration or landfill[6].

Supporting employment

The introduction of mandatory food and garden waste collections, along with the other Simpler Recycling reforms will see a change in the way waste is managed and there will be the need for additional staff. The Green Alliance report[7] estimates that over 450,000 jobs in the circular economy sector in the UK could be created by 2035. Focusing on the collection, sorting and treatment of waste, CIWM's report 'Beyond Waste: Essential Skills

[4] https://static.wrap.org.uk/consistancy/Learn_more_about_the_evidence.pdf
[5] https://assets.publishing.service.gov.uk/media/5c18f12aed915d0b7f4041dc/rws-evidence-annex.pdf
[6] https://assets.publishing.service.gov.uk/media/5c18f11740f0b60bbee0d827/resources-waste-strategy-dec-2018.pdf
[7] https://green-alliance.org.uk/wp-content/uploads/2021/11/Levelling_up_through_circular_economy_jobs.pdf

for a greener tomorrow' estimates there will be 18,100 new roles by 2030[8]. Whilst not all of these will relate to food waste collection and treatment, there will be a significant requirement for new jobs in this area.

Environmental impact

We are missing an opportunity by not taking action on food waste. Food waste has adverse environmental impacts. When landfilled, food waste decomposes and releases methane, a potent greenhouse gas. It is associated with over 25 million tonnes of greenhouse gas emissions (8% of annual global greenhouse gas emissions), and the water footprint of household food waste alone is more than 6 billion cubic metres per year or 243 litres per person per day[9]. Food waste also has a financial cost. WRAP (2018) estimates that in 2015 the value of food waste in the UK was over £20bn, £14.9bn of it from household waste. REA supports the waste hierarchy and actions taken to reduce food waste and the redistribution of surplus food, however it is essential that the remaining food waste is captured and treated through organics recycling.

Separate food waste collections can create awareness of how much food is wasted and could help food waste prevention. For example, 4 to 8% of households claim to have changed their attitudes or habits relating to food purchasing and consumption as a result of taking part in a food waste collection service.

Treating food waste through anaerobic digestion and/or composting can:

- Reduce greenhouse gas emissions from landfill.
- Reduce contamination of dry recycling, reducing reject rates at Material Recovery Facilities.
- Enable the production of biogas
    - This can be used to generate heat and electricity replacing fossil fuels.
    - The gas can be upgraded into biomethane and injected into the grid to decarbonise the gas supply or can be used as vehicle fuel.
    - This has benefits not only environmentally but also in securing domestic energy supply and increasing energy security.
- Enable the production of carbon dioxide, a by-product of biomethane production. This can help improve resilience and security of CO2 supplies in the UK or the carbon can be captured and stored.
- Enable the production of compost, which has multiple benefits:
    - Excellent source of organic matter helping to increase soil organic carbon.
    - Improves soil structure and function.
    - Reduces erosion and increases water holding capacity.

[8] https://www.circularonline.co.uk/wp-content/uploads/2023/03/Beyond-Waste-Essential-Skills-for-a-Greener-Tomorrow.pdf

[9] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/765915/rws-evidence-annex.pdf

    - Increases soil biological activity and nutrient retention, helping to suppress plant diseases.
    - Help grow more nutritious nutrient-dense crops.
- Enable the production of biofertiliser (digestate), which supplies readily available nutrients to crops, off-setting the use of mineral fertilisers and helping to decarbonise agriculture. Replacing manufactured fertiliser with food based digestate can reduce a farm's carbon footprint by around 20kg CO2 equivalents per tonne of digestate applied.
- Partially replace peat in growing media using compost and fibre digestate.

Measures to decarbonise the power sector cost effectively

Asks

Task the National Infrastructure Commission to deliver an annual progress-report on efforts to speed up grid connection lead times, monitored against the recommendations made by the Electricity Networks Commissioner this year and the Government upcoming spatial plan for energy infrastructure, to be presented to Parliament and requiring a government response.

Provide dedicated capital allowances for investments in new low carbon generation technology, akin to those already available for oil and gas sectors. This will help respond to the US Inflation Reduction Act, which is attracting low carbon investment away from the UK

The Electricity Generators Levy (EGL) must also be reformed (for currently operational projects) to provide a level playing field with oil and gas projects, by only being liable on profits, not revenue as at present.

While we welcome the move to suspend the scheme for new projects from November 2023, REA has repeatedly highlighted how, while many existing sites' revenue has increased in line with higher energy prices, such sites have seen increased operational and input feedstock costs, thus cancelling out any additional profits. The Levy as such is a risk to investor confidence and some plants ongoing financial viability in the UK.

Continue to implement a cap and floor support mechanism for long duration energy storage - by the end of 2024, we support the recent consultation on this measure, which is vital to support deployment of critical technologies needed to decarbonise and balance the power system.

Finalise and allocate the Power Bioenergy Carbon Capture and Storage (BECCS) Business Models as soon as possible, supporting projects at all scales, ensuring the delivery of negative emissions in the power sector by 2030. To update

Provide interest free loans, for households and businesses to install onsite renewables and clean tech, helping them lower their bills. There must be renewed focus on buildings' energy efficiency.

Support 'repowering' of renewable projects so that existing projects continue to operate when their original support ends and our energy security is not put at risk. Many technologies have significant ongoing capital and operational costs. The first wave of projects under the Renewables Obligation loses support in 2027. These include the vast majority of landfill gas generators, where the benefit is both in renewable electricity and reduction of methane going to atmosphere. Government has proposed support via the Contracts for Difference mechanism, but the only details published so far are limited on onshore wind only, for Allocation Round 7. This must be urgently broadened to include the full range of renewable technologies affected, such as Landfill Gas, and other bioenergy plants.

Time is running out for investment decisions, so the industry needs to see a detailed proposal, designed to enable a very high proportion of existing assets to continue operation.

Background

To reach Net Zero we need stable policy that will facilitate a fully decarbonised, secure, and affordable electricity system. The REA Strategy has previously stated this can be achieved by 2032. Such a system requires both a rapid increase in the deployment of all renewable technologies and flexible assets, such as energy storage, which will help the electricity grid balance both low-carbon electricity generation and increased energy demand. Renewables are now the cheapest forms of generation and remove the UK's dependence on international fossil fuel imports. However, the next government must now ensure the infrastructure for such generation is in place to manage both decentralised generation and increased demand.

Measures helping householders pay for installation of money saving renewable devices is critical – interest free loans have been provided in Scotland for example for the past number of years and are effective at tackling barriers to uptake and therefore saving consumers considerable sums.

Measures to decarbonise the heat sector

Asks

Incentivise large scale industrial heat decarbonisation projects through establishment of a Heat Contracts for Difference mechanism. Allocation should be

open to all low carbon technologies and all industries, with the first allocation round in 2025.

Expand the Boiler Upgrade Scheme by the end of 2024 and make it more flexible, to cover a wider range of project sizes. This should ensure all technologies are at least able to access the new higher grant level of £7,500, including biomass, and support energy efficiency measures. This should be accompanied by a low interest government-backed loan to pay for the remainder of the installation. Reinstating ambitious fossil fuel boiler phase out dates should also be reconsidered here.

Work with the finance industry to deliver low carbon heat financial products that promote renewable installations, such as green mortgages.

Deliver a Geothermal Development Incentive by the end of 2025, targeted at shovel ready geothermal heat projects, to get the sector established in the UK.

Incentivise non-domestic heat for small and medium enterprises with a fuel switching tariff, to enable organisations to switch from fossil fuels to a range of low carbon alternatives including heat pumps, biomass, green gas and hydrogen. This should start by the end of 2024 and follow the end of the Green Gas Support Scheme in 2025. Support should depend on strong standards for maintenance and fuel quality.

Background

UK domestic and commercial buildings remain the most energy inefficient buildings in Europe. Successfully decarbonising all UK heat demand will need a wide range of low carbon technologies, ensuring the right technology is used in the right situation and the decarbonisation of our gas network. Current domestic heat support schemes need to be more ambitious, while the huge policy gap for non-domestic heat decarbonisation must be urgently addressed. If done correctly, more than half of UK heat demand could be decarbonised by 2035.

Capturing the economic benefits of a Circular Economy – To be reviewed and updated

Asks

Ensure the Environmental Regulators are adequately funded immediately to address the considerable existing backlog of applications and issues, enabling regulations to be consistently enforced and drive out waste crime. In the longer term, the new Secretary of State must conduct a strategic review of how the environmental regulators function.

Incentivise investment in waste facilities that can biodegrade a wide range of feedstocks so that nothing goes to landfill from 2030 onwards.

Commit to fund Local Authorities to deliver local targeted communications for public behaviour change for food and garden waste collections, as well as funding centralised waste management campaigns run by DLUHC and DEFRA to deliver high performing collections.

Exempt from the Plastic Packaging Tax *independently certified* ***compostable plastic packaging*** *that is also independently certified as having* ***at least 30 % bio-based*** *(non-fossil-derived)* ***content.*** *In addition,* ***exempt*** *independently certified* ***compostable composite-materials packaging*** *that is* ***predominantly plastic by weight,*** *that is also independently certified as having* ***at least 30 % bio-based content.***

Provide support for recycling end of life wastes - that would otherwise be sent to landfill or Energy-Only from Waste facilities - ***into new products for use in markets***, such as the autoclaving of used compostable fibre-based food-contact packaging prior to AD to increase production of biogas and digestate, and production of renewable transport fuel via chemical recycling of appropriate polymeric wastes.

Background

The delivery of a circular economy and the energy transition go hand in hand. Waste must be effectively reduced, collected, processed and used to ensure the UK can make the most of its valuable resources and deliver the best possible environmental outcomes. The next government will need to prioritise waste and resource policy while recognising its interaction with the wider energy transition.

Decarbonising transport to bring all along on the journey

Asks

Introduce a national car scrappage scheme by 2025, financially compensating people with the most polluting cars, and supporting them with interest free credit to buy an EV.

Provide tax breaks for rural EV infrastructure investment**,** supported by finance from the UK Infrastructure Bank.

Introduce more ambitious Renewable Transport Fuel Obligation targets, increasing the obligation beyond 2032, with clear trajectory out to 2050, which is reinforced by lower taxes at the fuel pump with higher blends of renewable fuels and make sure vehicles

are suited to higher sustainable fuel use by bringing in support for E85 vehicles early, for example. A market mechanism for Recycled Carbon Fuels must also be secured as soon as possible.

Immediately introduce an EV Infrastructure Bill to ensure effective, inclusive, and widespread infrastructure. This includes mandating industry standards for universal charging and requiring local authorities to have EV charging infrastructure plans.

Agree to a match-funded industry deal to develop an EV infrastructure apprenticeship scheme led by charge point operators and delivered in conjunction with district network operators, changepoint manufacturers, energy suppliers and motor manufactures to create a pipeline of skilled workers.

Ensure an ambitious Sustainable Aviation Fuel Mandate to start in 2025 and develop equivalent policy for sustainable marine fuels by 2030.

Background

Decarbonising the transport sector requires both a rapid increase in electric vehicles (EV) and charging infrastructure - especially for road transport - and renewable transport fuels increasingly decarbonising existing internal combustion engines, as well as hard-to-treat sectors such as heavy goods vehicles (HGV), off-road transport, aviation and shipping. The REA Strategy demonstrated that with decisive action over half of UK transport energy demand could be decarbonised by 2035.

Please do not hesitate to contact us to discuss these and other measures to support the low carbon economy further.

REA, 2024

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