



REA Finance Forum Meeting,
Tuesday 28th November 2023, 10.00-12.00
Hybrid meeting at REA offices with Microsoft Teams

Attendees

Carmen Strickland, Horizon Energy (CS)
Catalina Ebensperger Chiffelle, Chubb (CEC)
Chris Tanner, Foresight Group (CT)
Helena Barrett, Evero Energy (HB)
Ian Waller, In Perpetuum (IW)
Jon Crouch, Infinis (JC)
Mary Sweere, ETR European (MS)
Matt Andrews, Mitsubishi HC (MA)
Philippe Bazin, Mitsubishi HC (PB)
Rory Tait (RT)
Suzanna Hinson, Green Finance Institute (SH)

Attendees (cont'd)

Henry Hanscomb, JLL (HH)
Hilary Stone (HS)
David Casey, HMT (DC)
Jeremy Barker, UK Infrastructure Bank (JB)

REA Staff:

Frank Gordon, REA (FG)
Mark Sommerfeld, REA (MS)
Nina Skorupska, REA (NMS)
Stan Fielding, REA (SF)
Amy MacConnachie, REA (AM)
Kat McManus, REA (KM)

10.00 – 10.07	1. Welcome & Introduction	CT/NMS
10.07 – 10.30	2. General Policy Updates (part 1) <ul style="list-style-type: none">EGL, Transmission Grid, Heat Network Fund, Public Chargepoint Consultation, Energy Act 2023, ZEV Mandate, ROs, Battery Strategy	FG/MS/NMS
10.28 – 10.53	3. Update on Autumn Statement	DC
10.53 – 11.03	4. Break	
11.03 – 11.31	5. Update on UK Infrastructure Bank	JB
11.31 – 11.49	6. General Policy Updates (part 2) EGL, Transmission Grid, Heat Network Fund, Public Chargepoint Consultation, Energy Act 2023, ZEV Mandate, ROs, Battery Strategy	FG/MS/NMS
11.49 – 11.54	7. REA reports: REview 2023 & ETRI 2023	NMS/FG
11.54 – 12.00	8. REA Strategic Review	NMS
12.00	10. Meeting close, followed by networking lunch	PD/NMS

Minutes:

1. Welcome and general catch up

Welcome by CT. Introductions from each attendee.

2. Policy Updates affecting Energy Markets (parts 1 and 2)

a. Autumn Statement highlights, including connections and planning

MS highlights positive messages from the Autumn Statement, published the previous week, including:

- New investment exemption for Electricity Generator Levy
- Full expensing on all plant and machinery, including the 50% first-year allowance for special rate assets, now made permanent
- Grid Connection Reform Plans
- Planning: updated National Policy Statements for Energy Infrastructure
- Green Industries Growth Accelerator

REA following up with questions on EGL exemptions (for example, expanding capacity or other types of extensions to existing sites).

On grid connections and planning, noted existing work streams through National Grid ESO and Electricity Networks Association, but new plans welcome:

- **Connections Action Plan**, aimed at reducing average delay a project faces to connect to the transmission network from 5 years to no more than 6 months beyond the date requested and release 100GW of network capacity.
- **Transmission Acceleration Action Plan**, accepting many of Nick Winser's recommendations, aimed at reducing the time taken from transmission infrastructure from 14 years to 7 years.
- **Updated guidance for nationally significant infrastructure projects.**

NMS noted National Infrastructure Commissions report publication.

Question on the inclusion of power BECCS and energy from waste in Critical National Priority, and whether this is seen as market distorting.

MS answers, defined widely, ie. if it generates energy it is included. Good question on whether it effects tax.

b. Green Heat Network Fund

£288m of grant funding available until 2026/27. Focused on any kind of green heat networks; primarily been heat pump focussed, but there are opportunities for bioenergy members. Range of aspects, just in England, various organisations including Local Authorities.

DR statement, frustrated about mixed messaging on hydrogen vs electricity for heating from Government.

FG says not expecting meaningful decision on hydrogen for heat until 2026 because of ongoing technology trials.

CT how did government react to NIC comment on no hydrogen for heating.

FG says they will have to respond, unsure on date.

c. Renewable Obligation Consultation – Fixed Price Certificates

MS discusses recent consultations. Concerned about price of certificates given impending end to RO. REA pushes for no fixed price until 2030's. Criticised non-inclusion of 10% headroom, which would devalue existing assets. REA opposes indexing on CPI instead of RPI. Note this will become standard from 2030 regardless.

CT strongly supports REA position. Sees many of the changes as backing on previous commitments and undermining previous investments and investor confidence.

d. Public Chargepoint Consultation

FG presents on PCC. Regulations now been finalised and come into force. Regulations include:

- Pricing transparency (pence per kWh); displayed clearly before charging and does not change while charging.
- 1 year period until:
 - Contactless (REA fought against retrofitting contactless for small chargers). Settled on 8KW threshold, retrofitting on fast charging.
 - Reliability, set at 99% uptime for rapid chargepoints. System for averaging over a year.
 - 24/7 call centre. Can be subcontracted. For rapid chargepoints.
 - Data must be held publicly using OPCI.
- 2 year grace period until:
 - next set of requirements on roaming requirements.

e. Energy Act 2023

Has royal assent and therefore become law. Brings in definition for electricity storage; business model for hydrogen and BECCS; net zero mandate to Ofgem; legal establishment of Future System Operator (FSO).

f. Zero Emission Vehicle (ZEV) Mandate

Slightly impacted by Government rowing-back commitments earlier in the year. Government rhetoric more damaging than the actual detail in the consultation response/final outcomes, which were very similar to earlier proposals. Slight row-backs on banking and trading for manufacturers which give leeway to escape commitment in early years, and in definitions of hybrid vehicles.

g. UK Battery Storage Strategy

REA responded to. REA sent member note. Takes three-pronged approach to developing supply chains and R&D sector. Increased and joined up funding on supply chains. Look at development for supporting regulations to maintain investment in supply chain, including on raw materials and recycling issues.

h. Review of Electricity Market Arrangements (REMA)

Been engaged since the beginning through roundtables and discussions with Government and published report. Pushed for not rewriting market but about adjusting existing support mechanisms, such as CfD. Been quiet for past months, expecting more in the new year with further consultations.

3. Autumn Statement, presented by David Casey (Senior Policy Advisor, Renewable Energy, at HM Treasury)

DC talks through high-level announcements in the Autumn Statement:

- Permanent Full Expensing – Capital Allowances
- Electricity Generator Levy Exemption
- Planning Reforms
- Grid Reforms
- Green Industries Growth Accelerator
- VAT relief for Energy Saving Materials

- Crown Estate borrowing powers
- Oil & Gas Fiscal Review

CT question on how EGL levy applies to extensions to existing projects/repowering projects.

DC responds intention is that repowering and significant extensions will be covered.

Significant to be defined over the coming weeks in time for legislation in the next Finance Bill.

Question on sites that went ahead with FIDs in the interim in spite of EGL, who are now missing out on exemption.

Answer is that it is about supporting new investment, rather than supporting existing investments that have already gone ahead.

Question from SH, what stage of R&D is Green Growth Accelerator for, and is it scale-up support or deployment support?

Recommended looking at offshore wind manufacturing investment scheme as a template for this kind of support. Likely to be grant-based, but still to be confirmed.

Question from DR around public sector investments and financial constraints, specifically on NHS trusts and schools and funding constraints.

DC to take it away.

Question from DV on green gases, more recently hydrogen. Does blended hydrogen fall under GIGA?

DC: focused on supply chain and manufacturing; so yes, if there it goes to the UK (for example building electrolyzers for hydrogen in the UK, rather than the deployment of those electrolyzers).

Question from MS, GIGA; are heating networks included, ie. materials that would go to building heat networks.

DC says the technology is quite fixed – based on export opportunity or domestic security, so scope quite fixed.

Question from NMS, DC mentioned deep geothermal, how does HM Treasury engage on this?

DC says HMT work with DESNZ on deployment, for example through CfD AR5.

Question from MS on full expensing – will renewable energy still count under special rate items (50% expensing); or will this change?

DR expands, advocates for enhanced capital allowances scheme, including energy efficiency, should get 100% allowances.

DC, yes, full expensing is making permanent the 50% special rate. Difference between special and main are about asset life. Take the point there is argument to go further on green. Happy to keep having conversations.

4. UK Infrastructure Bank, presented by Jeremy Barker, director of Banking and Investment at UK Infrastructure Bank

Introduction by JB of himself, then description of UKIB:

- Niche investment bank, with two strategic objectives:
 - Tackling climate change
 - Supporting regional and local economic growth
- Owned & backed by HM Treasury, but with operational independence.
- Essentially been trying to start investing while still expanding and recruiting significantly.
- Headline achievements include:
 - £1.9bn invested, unlocking £9.7bn in private capital.
- Four investment principles:
 - Support strategic objectives
 - Investing in infrastructure assets/networks
 - Deliver positive financial return
 - Crowd in private capital over time
- Total financing capacity: £22bn

- £8bn in equity & debt
 - £10bn in guarantees
 - £4bn in Local Authority Loans (cheaper capital than other public options)
- UKIB covers late-stage emerging, but generally high-growth and mature technologies.
 - Don't provide revenue guarantees, grants, or take controlling equity stakes.
- Describes deals made so far – included on slides.
- Describes Local Authority loans.

Question from SH about crowding in and guarantees – believe UKIB hasn't spent any guarantees, what are the challenges here?

JB, few issues. First, only for very large projects – got stuff in the pipeline. Minimum £25 million size, so looking for aggregating – UKIB don't have capacity to do the aggregation, so relying on partnerships with high-street banks. Issues with how pricing on aggregated loans are done based on probability of default, rather than the loss-given default (because of the Government guarantee). Have credit process for Local Authorities, so get cheaper money but higher standards to pass than other Government sources of capital for LAs.

DR asking further questions on how smaller loans can take place.

CT asked question on approach to equity.

JB: preference for direct equity investments, rather than through funds. Did some lazy, but were criticized for lazy investment. Would need to go out to competition.

NMS question related to Transport for London. Are those in scope?

JB not at all; just done finance for GLA, but needs to be net zero.

JB adds, won't do new builds nor social infrastructure in built environment.

NMS question on Labour party's ambition for GB Energy – how would this align with UKIB? Any thoughts on ongoing political discourse?

JB is in process of sorting budget for next year, and does acknowledge costs related to change of Government. Very unlikely that UKIB would be dissolved.

FG asks question on scope for revisiting investment priorities; for example, including giga factories.

JB says they are not set, are reviewed; giga factories are included (under industrial supply chain). Latest tweak is from Government, to capture semi-conductors.

Question from SH, but unintelligible in recording.

JB says don't rule out UKIB involvement until working with them.

5. REA reports:

a. Energy Transition Readiness Index 2023

MS talks through ETRI, published November 2023. Fourth iteration. Compares 14 different European countries, describing state of the market and level of attractiveness for investment. Done through interviews with experts from each country. UK sits mid-table; Nordic countries leading the way. For UK, shows one of the largest flexibility gaps; a lot of work to do, but strong investor attractiveness in the long-term, though taken a short-term hit. Notes UK has set ambitious targets, but without policy following through, combined with concerning rhetoric around renewable energy.

b. REview 2023

State of the market report, describing deployment of different technologies, as well as jobs data and where growth may happen across the UK regions and technologies. Acts as annual stocktake against REA Strategy.

6. REA Strategic Review

Been project over the last 6 months. Discusses the goals we have, including intermediary goals. AM led theory of change process across pillars. Once we've gone through all other technologies, want to return to finance forum for a sense check – want to get backing from finance community.

7. Meeting Close

Actions:

- **Monitor Government response to NIC report, particularly on hydrogen for heating.**
- **Invite David Casey to future Finance Forums**
- **Follow up with DC on constraints for public bodies in using private capital or otherwise investing in renewable energy/energy efficiency improvements, as asked by CT.**
- **Follow up conversations with DC on 100% full expensing on green technologies, primarily energy efficiency improvements.**
- **Follow up with JB generally.**