REA: 2025 CSR Submission

Key asks across renewables and clean technologies - power, heat, circular bioresources and transport sectors

The Renewable Energy Association (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.

The REA has members involved in wide range of renewable and low carbon technologies across power, heat, transport and circular bioresources. All of these sectors have critical roles to play in the delivery of net zero. These sectors are also at differing stages of development, with the need for Treasury support to be appropriately applied to push sectors forward and address specific barriers to deployment.

Summary

We have grouped specific recommendations by decarbonisation pillars, highlighting five actions that the Government could take to support each of these areas, thereby contributing to the full decarbonisation of the economy.

On Power and flexibility, we highlight the need for a clear Contracts for Difference allocation timetable, with a dedicated budget, aligned with the Government's 2030 Clean Power Mission. Alongside this consideration should be given as to how existing generation projects coming to the end of their renewable obligation contracts can be helped to repower. In addition, there are calls to finalise long-running workstreams on delivering long-duration energy storage and bioenergy carbon capture and storage.

In Transport, proposals focus on reducing VAT for public EV charging, creating funds to electrify fleet depots, and improving public charge point maintenance. It also recommends ramping up Renewable Transport Fuel Obligation targets and creating incentives for the use of renewable liquid fuels through the introduction of duty differences.

For heating and cooling, we propose expanding the Boiler Upgrade Scheme, with options for low-interest loans to pay for the remainder of the work and be repaid through a salary sacrifice scheme. Looking towards the commercial and industrial sector, we highlight the need for a Fuel Switching Tariff and Heat CfD, and we call for Confirm future incentives for biomethane production and geothermal developments.

Concerning circular bioresources we call for further progress towards a circular economy. This includes funding to ensure the simpler recycling food and garden waste collections are high performing, through centralised public campaigns. As well as highlighting the need to properly resource both the Environment Agency and DEFRA for the delivery of critical waste management programmes. Finally, we call for exemptions for certified compostable plastic packaging from the Plastic Packaging Tax.

We acknowledge that several of these proposals require new or reallocated public funding. However, we believe this reform package represents sensible, proportional investments that will yield significant returns for the UK by creating jobs, developing skills, and attracting private

York House,
23 Kingsway London,
WC2B 6UJ

http://www.r-e-a.net/
Tel: 020 7925 3570

finance across these sectors. These measures will not only help decarbonise the economy but also enhance energy security and lower costs for consumers. By reducing reliance on international fossil fuel prices and maximising domestic resources, we can build a more resilient and sustainable economy for the future.

For the sake of brevity, we have kept descriptions of these policy interventions high level but would be happy to provide further insights and evidence on any of the below to the Treasury through further engagement.

Power and Flexibility

1. Establish a rolling timetable & budget for Contract for Difference (CfD) allocation rounds to secure new investment in large scale renewables

Allocation round 6 (AR6) of the CfD was a significant success story for the sector. However, with delivery dates of AR6 allocation round being between 2026 and 2029, the time frame for contracting the levels of generation needed to meet the government's 2030 Clean Power Mission is tight. As such, a clear timetable and transparent budgets for the next three allocation rounds will help to prepare sector to bid into these auctions and have confidence in being able to deliver the capacity of generation needed to meet the government's target. This will send a clear signal to investors and further build investor confidence.

2. Announce clear support for projects coming to the end of their Renewable Obligation contracts, highlighting a particular urgency for landfill gas generation.

For Labour to meet the 2030 Clean Power Mission, Government must also ensure the UK is not losing renewable capacity as existing assets come to the end of their RO contracts from 2027 onwards. Without clarity by the end of the year, companies will start to make decisions on decommissioning valuable renewable generation. This would undermine the success of new deployment. Government should use the CSR to indicate how such sites can extend their life span, including the option to introduce repowering CfDs into Allocation Round 7. Repowering sites requires investors to have confidence in the future of these assets.

Of urgency in this regard is the Landfill Gas Sector, where around 87% of current capacity loses RO support in April 2027. This will not only mean a loss of generation, but a loss of methane management capacity, leading to much greater greenhouse gas emissions.

3. Turbocharge work streams to address grid capacity constraints and order an annual Parliamentary progress report

Set out the Government plans to turbo charge existing workstreams to address grid capacity constraints, which remains the single largest barrier to renewable deployment. As part of this, Government should task a relevant body such as the National Energy System Operator, Ofgem, National Infrastructure Commission or a similar, with compiling an annual progress report on connection reforms for Parliament, requiring a government response.

4. Deliver pathways for the deployment of bioenergy carbon capture and storage (BECCS) to deliver critical negative emissions by 2030.

The bioenergy carbon captures sector is awaiting the outcome of government decisions on the delivery of Track 1 Expansion and Track 2 CCS Sequencing clusters. At the same time, large scale biomass projects await decisions on the Government bridging mechanism, while medium and

small-scale biomass generators await confirmation of how they may be able to operate beyond existing contract arrangements.

Transport

1. Reduce the VAT rate at public electric vehicle charging points from 20% to 5%, aligning it with the VAT rate applied to domestic charging.

Ensure fair equitable charging between those who ae able to charge their EV at home and those who rely on public charging points. Ensuring a level playing field on charging costs will enable the further uptake of EVs. This will likely cost treasury in the region of £80 million today.

2. Create a fund for connecting fleet depots to the grid, like that of the rapid charging fund, with money awarded used for the cost of grid reinforcement where it is required. This should be complemented by extending the Plug in Van Grant to meet the ZEV mandate.

Enable the greater electrification of electric fleets by replicating the success of the rapid charging fund, with a focus on commercial depots. Such a fund would incentivise the uptake in electric fleets, while also helping those wanting to decarbonise to address the barrier of localised grid capacity constraint costs.

The average EV van price is 50% more than an ICE equivalent. The Plug in Van Grant should therefore be extended post 22/26 to ensure that fleets can afford to purchase the mandated vans that are being put on the market through the ZEV mandate. The grant is hugely popular with fleet operators and longer-term certainty will help them plan future investment in their fleet.

3. Create a maintenance Fund for Public ChargePoint's as CPOs become more established.

A maintenance fund for all publicly funded charging sites will help to ensure a reliable public service, especially as no Charge Point Operator (CPO) has yet turned a profit. Meeting the 99% uptime requirement for 50kW+ chargepoints will be difficult without this support. In the U.S., the National Electric Vehicle Infrastructure (NEVI) Formula Program provides funding for repairs, upgrades, or replacements of existing chargepoints. With the upcoming Zero Emission Vehicle (ZEV) mandate, which we fully support, the EV fleet is set to grow nearly tenfold within a decade, making a dependable charging network essential.

4. Ramp up the Renewable Transport Fuel Obligation (RTFO) targets

Use the CSR to commit to the introduction of more ambitious Renewable Transport Fuel Obligation targets to ensure existing vehicles on UK roads have as low GHG emissions as possible. The new targets should extend the Obligation beyond 2032 with a clear trajectory out to 2050.

5. Create a duty differential for renewable liquid fuels that meet sustainability criteria to incentivise their use in hard to decarbonise sectors like heavy goods vehicles (HGVs).

While the phase-out dates for conventional HGVs are set for 2035-2040, fossil fuels will still be in use for years. Therefore, it's crucial to reduce the greenhouse gas (GHG) emissions of these fuels. The current Renewable Transport Fuel Obligation (RTFO) increases the overall cost of road fuels but doesn't directly incentivise consumers to choose greener options. A fuel duty differential

would make renewable fuels cheaper at the pump, particularly impacting the fuel purchasing decisions of haulage companies, which are more sophisticated than those of private motorists. This would replicate the existing duty differential for methane in road vehicles. This could shift the market towards using renewable fuels in sectors that are harder to electrify, aligning with the goals of the RTFO.

Heat and Cooling

1. Through the Warm Homes Plan, urgently deliver loans and grants for the installation of low carbon heating and energy efficient materials. Consider successes from previous policies, allowing salary sacrifice schemes where repayment is required.

Labour highlighted in their manifesto moves to expand the deployment of low carbon heating systems and energy efficiency measures. This is welcome and should be designed around an approach that recognises the best technology for the right situation, ensuring all low carbon heating options and energy efficiency measures already listed on the Energy Saving Materials List are eligible for support. Where low interest loans are being used and need repayment, sensible models that allow for easy and low-cost repayment, should be used to help de-risk uptake. Successful lessons can be learnt from salary sacrifice schemes associated with EV's demonstrate how this can be done and can be replicated in the domestic heat sector.

2. As part of the Warm Homes Plan, expand the Boiler Upgrade Scheme, raising the grant level for all eligible technologies to £7,500, matching the grant available for heat pumps

This should ensure all technologies, including biomass and energy efficiency measures, are able to access the new higher grant level of £7,500. The Warm Homes Plan low interest loans could then be used to pay for the remainder of the installation and reinstate the ambitious phase out dates for fossil fuel boilers.

3. Deliver commercial and Industrial decarbonisation though development of a fuel switching tariff and Heat CfD.

Launch a consultation on the design of a Fuel Switching Tariff and heat CfD. A fuel switching tariff will enable organisations to switch from fossil fuels to a range of low carbon alternatives including heat pumps, bioenergy fuels, hydrogen and geothermal. At the same time incentivise large-scale industrial heat decarbonisation projects through the establishment of a Heat Contracts for Difference (CfD) mechanism, open to all low carbon technologies and all large-scale industries. This would replicate the success of the power CfD in procuring affordable capacity.

4. Deliver Market Based Policies to realise the further decarbonisation potential for biogas.

The Green Gas Support Scheme (GGSS) is operational until 2028, however it currently underestimates, and is not aligned with the potential, for the use of biogas highlighted last year in the UK Biomass Strategy. However, improving market mechanisms could improve revenues and bankability of biogas projects. This includes driving up gate fees through separate food and garden waste collections; ensuring strong markets for AD digestate; establishing negative emission markets; and better recognition of biogas within the UK ETS. Government should launch a call for evidence on how biogas markets can be evolved to ensue subsidy free sector before the end of the GGSS.

5. Adress barriers to delivery of an established Geothermal sector, including the development of a Geothermal Development Incentive

Launch a consultation on the delivery of shovel ready Geothermal projects that could make significant contribution to both domestic and non-domestic heat decarbonisation. This should include a dedicated Geothermal Development Incentive and preferential tax incentives for capital investment in fit for purpose drilling rigs and equipment.

Circular Bioresources

1. Support quality organics recycling by funding support for high-performing food and garden waste collections.

The Government should commit to funding Local Authorities to deliver local targeted education and communications to ensure the public are using their food and garden waste collections properly, as well as funding centralised campaigns to deliver high performing collections, i.e. high quality and capturing all the target materials.

The Environment Act 2021 commits the UK to enhancing resource efficiency and recycling, but achieving this requires financial investment to foster behavioural change. Organic waste recycling suffers from contamination due to improper household waste separation and this has an impact on the processing and final use of the recycled products. Effective recycling depends not just on technology but on individual and community participation. The International Solid Waste Association (ISWA) highlights prevention, particularly through education and awareness, as the highest priority for reducing contamination. (ISWA 2023).

Local authorities face resource constraints in promoting responsible waste behaviour. Centralised campaigns by national departments can further unify and amplify these efforts. Investing in educational campaigns yields economic benefits by reducing food waste, lowering contamination in organic waste (saving significant processing costs and improving outputs), and boosting the recycling sector. This, in turn, drives job creation, supports the circular economy, and reduces landfill-related environmental costs, leading to a more sustainable and resilient economy.

2. Ensure environmental regulators are adequately resourced.

The Government should immediately ensure the environmental regulators, including the Environment Agency, are adequately resourced to address the considerable existing backlog of applications and issues. This would enable regulations to be consistently enforced and drive out waste crime.

All waste management sites in England must hold permits, with fees charged by the Environment Agency (EA) upon submission. However, the permitting process is slow and many REA members face delays of years for permit approvals or variations, compounded by difficulties in obtaining pre-application advice, which should streamline the process. These delays lead to inconsistencies in permitting decisions, creating unfair market conditions, particularly with rules like the Farming Rules for Water, which are interpreted differently across regions.

These inefficiencies raise costs for any business operation requiring a permit, including organics recycling businesses, which are passed onto local authorities already facing budget constraints. The underfunding of the EA hinders progress toward a circular economy, requiring urgent government intervention.

3. Ensure Defra is adequately funded to increase capacity for delivering Simpler Recycling, Extended Producer Responsibility for Packaging and the Deposit Return Scheme in ways that achieve the Resources and Waste Strategy for England targets.

The Resources and Waste Strategy for England aims to minimise waste, enhance resource efficiency, and transition to a circular economy, with targets to halve food waste by 2030, recycle 65% of municipal waste by 2035, and eliminate avoidable plastics by 2042. These goals are supported by Collection and Packaging reforms, including Extended Producer Responsibility (EPR) for Packaging, Simpler Recycling, and the Deposit Return Scheme, all managed by Defra.

However, the Infrastructure and Projects Authority (IPA) rated these reforms as 'unachievable' in 2022, citing concerns about project management, implementation, budget, and delivery benefits. The Public Accounts Committee echoed these concerns, pointing to delays, inadequate data, and unclear program details, all linked to Defra's underfunding.

Defra, which had the fifth-lowest funding among Government departments in 2023, requires adequate financial resources to effectively implement these reforms. Increased funding would allow Defra to hire more staff, boosting capacity and driving investment in waste management infrastructure. Successfully delivering these reforms could stimulate job growth, promote research in recycling technologies, and create new economic opportunities and advancing resource efficiency. Without sufficient funding, the ambitious targets of the Resources and Waste Strategy risk failure, hindering progress toward a circular economy.

4. Incentivise investment in biowaste treatment facilities that can biodegrade a wide range of feedstocks so that no biodegradable waste goes to landfill.

Investing in the UK's circular bioresources sector yields significant economic and environmental benefits. Unlike the traditional 'take, make, dispose' model, this sector reintegrates organic materials into the economy and environment. WRAP's 2021 report highlighted that from 2014 to 2019, 90,000 jobs were added in the UK's circular economy, bringing the total to nearly 560,000. This growth boosted national gross value while cutting greenhouse gas emissions. WRAP projects that, with continued investment, the sector could reduce UK emissions by up to 33 million tonnes CO2eq annually, add £82 billion to the economy, and create 550,000 jobs by 2030.

Support should also be considered for innovative new technologies such as landfill gas to biomethane in order to scale up green gas production.

In the food waste sector, composting and anaerobic digestion (AD) could generate up to £280 million in renewable energy, supply 682,000 homes, and provide eight million tonnes of organic fertilizer and four million tonnes of soil improvers. With food waste valued at over £21.8 billion in 2021, REA advocates for investment in organics recycling to advance the UK's circular economy. This will help address economic and environmental challenges, both domestically and globally.

5. Exempt from the Plastic Packaging Tax (PPT) independently certified compostable plastic packaging that is also independently certified as containing at least 30% bio-based (non-fossil-derived) content.

In addition, exempt independently certified compostable composite-materials packaging that is predominantly compostable plastic by weight, that is also independently certified as containing at least 30 % bio-based content (measured using tests specified in the standard BS EN 16640).

These asks are made because local authorities are not being funded to supply householders with liners for kitchen caddies and food waste bins and some may be paying the PPT because waste bags are included in the PPT.

Cross Cutting Economy Decarbonisation

1. **Ensure complementary carbon prices between emission trading schemes, including equal treatment of biomethane.**

Ensuring a complementary carbon price between the UK ETS and EU ETS will prevent the UK from either losing competitiveness if the UK ETS price exceeds that of the EU ETS, or as it currently stands, if the UK's ETS price is lower than that of the EU's, foregoing revenues.

One area this would be particularly pertinent would be in enabling power generators and hard-to-abate sectors to reduce reportable emissions under the UK Emission Trading Scheme by replacing fossil gas with biomethane from the gas network; by aligning rules on biomethane under the UK ETS with those set out under the EU ETS. This would encourage sectors covered by the ETS to purchase renewable gas and green their gas consumption.

REA, February 2025