REA General Election Manifesto 2019

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Key contacts: Amy MacConnachie, Head of External Affairs - REA: amacconnachie@r-e-a.net

The REA - decarbonising the economy

The REA is working towards a future built on renewable energy and clean technology. We represent over 500 members from across the renewable energy, recycling, energy storage and electric vehicle charging sectors.

We champion, inform and empower our members; so they are profitable, sustainable businesses. Together we are decarbonising the economy.

We want the next Government to share our ambition and unleash the potential of the renewable energy and clean technology sector.

Our vision is for:

- Renewable energy and clean technology to be market competitive, supported by policy.
- Industry and the public to embrace renewable energy and clean technologies, leaving fossil fuels behind.
- Renewable energy and clean technology to deliver jobs across the country, and those in declining high carbon industries to be reskilled.

The REA's strength is that we look at the changing resource and energy landscape as a whole and how this impacts our members, from those who deliver a specific technology or solution, to those engaged in multiple technologies across many sectors.

We know what needs to happen to achieve our ambition. This document contains the key policy asks of the REA – it is made available to all UK political parties for their consideration and review.

Introduction

Climate change has become a top voter concern and has significantly grown as a voter priority since the 2017 general election. [i] However, whilst the Government has strengthened its decarbonisation target by 2050 to net zero greenhouse gas emissions, there exists a policy gap relating to how to meet our targets in the mid-2020s and to 2032. Meeting these targets, known as the 4th and 5th Carbon Budgets, is a legal responsibility of the Government.

Whilst the industry is supportive of more ambitious targets for 2050, clear and consistent policy in the short and medium terms is crucial if the supply chain for a host of technologies is to develop and improve. Stop-start policy and short-term decision making increases costs and undermines the UK's position as a world leader.

As it currently stands, many renewable, resource management and clean technologies are facing a swath of policy-related blockages that are inhibiting deployment and new investment. Specific impacts of policy change or indecision include:

- Heat and transport policies are in limbo and long-term direction is lacking;
- Most renewable power, such as solar and onshore wind deployment has stalled;
- A more 'flexible' energy sector is too slow to emerge;
- Recycling and waste management is inconsistent across the UK;
- Planning and consenting regimes are disorganised;
- Building regulations do not fully incentivise energy efficiency, self-generation, and the low-carbon energy sector's vision of 'buildings as power stations';
- Energy networks pose a barrier not a catalyst to project deployment;
- The tax regime largely works counter to the need to decarbonise;
- The economy and general public are yet to fully understand the value of the transition to renewable energy and clean technology.

The level of technical growth and development in the sector is astronomical. This is very exciting, but it is challenging for the public sector and industries that must re-organise and modernise very quickly to decarbonise, especially when the system change needed spans across multiple sectors and Government departments.

High level asks

To address these barriers, the REA has compiled a number of policy recommendations for each party to consider as part of their platform. High level recommendations include:

1. Ensure that the funding, integrated planning and delivery of the wholesale systems change that's needed to decarbonise the economy sits with No 10 and the Cabinet Office. An independent body with strong enforcement capabilities should be appointed to ensure the Government produces policy that supports decarbonisation in line with the Carbon Budgets and advice of the Committee on Climate Change.

2. Ensure that renewable energy and clean technology are central to a Net Zero Treasury test, as set by Committee on Climate Change and enforced by an independent body, for Government funding; and that the Treasury implements a more effective taxation system that incentivises these technologies instead of fossil fuels.

3. Reform Ofgem (in part by including decarbonisation as a central mandate, alongside consumer protection) and ensure energy network operators are sufficiently incentivised to modernise the energy systems so that they can deliver a major expansion of renewable energy generation capacity and meet the 5th Carbon Budget (to 2032).

4. Help local authorities to reach Net Zero by providing ring-fenced funding for measuring and reporting on progress on the number of zero-carbon buildings, energy efficiency, effective waste management, decarbonising transport fleets while valuing soil quality and natural capital.

5. Deliver a just transition by developing a workforce strategy that supports the renewable energy and clean technology sector to provide high-quality skilled jobs for existing fossil fuel sector workers transitioning to the new economy, and future workers, across the UK.

Sector-specific policy recommendations

Complementing these high-level asks are a number of sector specific actions urgently needed to encourage fresh investment and innovation. Below, these asks are grouped by technology or sector.

Overall

1. Commit the Crown Commercial Service to sourcing an increasing proportion of renewable energy. As the largest purchaser of power in the UK this could have a significant impact on the industry and carbon targets, and would not necessarily need to come at extra cost.

2. Introduce an ambitious carbon pricing scheme which can align with that of the EU post-Brexit, with a target floor price of £70-80/t CO_2 by 2026, and over £120 by 2032. Such carbon prices must be adopted across Europe.

3. Government or other funding for best practice documentation and the development of industry standards, is necessary to develop the market.

Heat

1. The Renewable Heat Incentive is the primary heat decarbonisation mechanism in GB and is due to expire in 2021. The majority of the renewable heat industry relies on this mechanism to encourage decarbonisation and no plan is in place for its replacement. The REA calls for an immediate, time-limited extension to the RHI to keep the industry going as the lack of certainty is already stemming new investment in the sector.

2. Implement a more effective taxation system that incentivises the use of renewable heating systems and fuels, while penalising the dirtiest fuels by gradual increases in fuel duties.

3. In the medium term, a new mechanism is needed that supports heat decarbonisation past 2021, such as introducing a heat premium feed-in scheme that rewards low carbon heat users.

4. Provide variable tax benefits to those who live or own properties with high energy efficiency standards and renewable heating installed. This should include rebates on income tax or council tax or discounting stamp duties at the point of sale. This would strengthen the link between energy efficiency and house prices.

5. Amend the Energy Savings Opportunity Scheme (ESOS) to focus on carbon emission reductions, rather than just Energy Savings. This will drive commercial installation of renewable heating systems.

6. Provide government backed low interest loans for commercial heating schemes.

7. Address barriers to the deployment of District Heating, prioritise those to be powered by renewable energy systems.

8. Support bio-based heating, such as biomass boilers and biofuels, as a key technology for use in the Future Homes Standard.

Heat – Green Gas

9. Introduce a Green Gas Obligation on gas suppliers to meet a gradually increasing GHG reduction target. In order to meet this target they would have to source the gases that deliver the largest and cheapest carbon savings. Similar approaches already exist for renewable transport fuels in the UK and for elsewhere in the world.

10. Take the opportunity from the reform of the Agricultural support schemes to promote on-farm AD, circular economy principles and good soil management.

Transport

Fuels

1. Introduce E10 (a blend of 10% bioethanol in petrol) as a matter of urgency.

2. Increase the basic target levels within the Renewable Transport Fuel Obligation (RTFO).

3. Retain the Greenhouse Gas Reporting Regulations, so that producers of renewable transport fuels have an incentive to strive for GHG saving levels above the minimum threshold required for the RTFO.

4. Boost incentives for higher blend biofuel uptake in buses and heavier vehicles.

5. Introduce more pragmatic rules to encourage the production of hydrogen from renewable electricity, for use directly as a transport fuel or for use in the production of renewable drop in biofuels and aviation fuel.

Electric Vehicle Charging Infrastructure

1. Extend existing infrastructure grants, including the EV Homecharge Scheme (to 2023), Workplace Charging Scheme (to 2023) and the Onstreet Residential Chargepoint Scheme until a suitable taxation system can be introduced to support infrastructure deployment.

2. Provide a grant for apartment block owners to install charging infrastructure.

3. Support the strategic roll-out of rapid charging infrastructure along the motorway network, forecourts, train station, ports and airports.

4. Support the existing proposals from OLEV on introducing charging infrastructure (or at least the enabling cabling) in new homes, mandating that all private chargers are 'smart,' and moving towards the interoperability of private charging infrastructure.

5. Support industry efforts to introduce e-roaming / interoperability across public charging networks, and take regulatory action from 2021 if actors are not taking action from that stage.

6. Back the principals of the National Infrastructure Commission's Charged Up Britain campaign (details can be found here).

7. Action the forthcoming recommendations of the EV Energy Taskforce.

Electric Vehicle Policy

1. In grants and other policy schemes, prioritise the deployment of Battery Electric Vehicles (BEVs) over Plug-in Hybrid Electric Vehicles (PHEVs).

2. Introduce a Zero Emission Vehicle mandate in the UK which would stipulate an escalating minimum proportion of battery electric vehicles an automotive manufacturer needs to sell.

3. Consider moving the date on the ban of the sale of new conventional petrol and diesel cars and vans from 2040 to 2035, to ensure Government policy is in line with recommendations by the Committee on Climate Change.

4. Extend the existing system of plug in car and van grants to transition these support systems to a revenue-neutral model with funding for the schemes derived from introducing a small levy on new fossil-fuelled cars.

5. Provide tax support for vehicle deployment. Specifically, the 2% Benefit in Kind rate for BEVs should be extended into the mid-2020s. These taxes should also be grandfathered so that company car drivers pay the same tax rate for the duration of their vehicle lease. Furthermore, exempt Battery Electric Vehicles from VAT once the UK leaves the EU.

6. As availability of many battery electric vehicle models is particularly constrained in the UK (in part due to the UK being a left-hand drive market) create an incentive to automotive manufactures to prioritise UK vehicle allocation/deployment over other European countries.

Electricity

1. Ensure the Smart Export Guarantee is fair to all generators and kept under regular review with Ofgem empowered to compel suppliers to offer better terms if those on offer are found to be insufficient.

2. Commit to 'Pot 1' Contract for Difference (CfD) auctions for consented onshore wind and solar PV projects. Due to the low-cost nature of these technologies this could become a revenue stream for Treasury as developers effectively 'pay' for the certainty the CfDs provide.

3. Set out a timetable for the next five years of regular CfD auctions.

4. Consider reintroducing the 10MW minimum reserved capacity for wave and tidal energy, and including BECCS (Bioenergy Carbon Capture and Storage, providing negative-emissions as supported by the IPCC & CCC) projects, in order to unlock the Industrial Strategy benefits of these industries.

5. Ensure the Building Regulations Part L review incorporates provision for the requirement of on-site renewables and flexible energy technologies (e.g. smart EV charging, storage) at new developments.

6. Establish a single asset registry for the post Feed-in Tariff/post electricity 'subsidy' world, in order to track installations and net generation in one central location.

Flexibility & Energy Storage

1. Extend the proposed Regulated Asset Base ('RAB') funding model being adopted for nuclear developments, to large scale flexible technologies such as new Pumped Hydro Energy Storage projects, and Wave and Tidal projects with significant Industrial Strategy benefits for the UK.

2. Make practical changes to the VAT increase on small-scale renewables implemented from 1 October, and commit to a review of UK VAT and tax policy soon after EU Exit.

3. Introduce a dedicated definition for energy storage in primary UK Legislation, to smooth out a number of issues regarding grid charges, planning, and regulatory treatment of storage devices.

4. Ensure a level playing field with diesel generator and gas peaker plants and continue to implement progressive emissions intensity thresholds in future Capacity Market auctions.

5. Ofgem should revisit the damaging proposed grid charging changes, specifically the Targeted Charging Review (TCR) which would act as a considerable disincentive to flexibility, while ensuring that the Access and Forward-looking charges review introduces adequate flexibility incentives.

6. Ensure the roll out of regional Distributed System Operator (DSO) flexibility markets nationwide, following the pathfinder Power Potential project.

7. Continue progress on simplified planning regimes for energy storage, EV charging and other flexibility assets - again this could be aided by a definition for energy storage in primary legislation.

8. DNOs should adopt proposals to allow energy storage projects to move 'up the grid connections queue' and therefore free up capacity for other generation projects while avoiding or delaying network overhead line upgrades.

9. Continue to legislate to ensure EV chargers are all smart and genuinely interoperable in their nature, allowing them to participate in dynamic pricing markets best able to shift consumer behaviour to benefit the system.

10. Standardise flexibility products and reduce barriers to product entry (akin to the 'Nordic' market model in Norway).

11. Government could offer interest-free loans for domestic solar and storage installations, akin to those introduced in Scotland.

Organics / Circular Economy

1. Back up the Resource and Waste Strategy with effective funding for Local Authorities to really drive change in the plastics problem, resource use and recycling.

2. Mandate food waste collections across England.

3. Fund a national consumer-facing campaign to reduce plastic and other contaminants in food and garden waste collections.

4. Implement a widespread soil carbon sequestration programme, to incentivise soil management and the Circular Economy.

5. Adequately fund the Environment Agency to enable it to tackle the backlog in permitting times and decisions and better regulate the sector.

6. Support deployment of advanced conversion technologies in order to realise the potential of chemical recycling and producing renewable transport fuels from waste.

7. Fund industry to strengthen bioenergy sustainability regulations and governance, and support the REA's forthcoming Bioenergy Sustainability Taskforce.

Financing the UK green economy

1. Implement the recommendations of the Green Finance Taskforce and Patient Capital Review, for financing and supporting the energy transition.

2. Reopen Enhanced Capital Allowances (ECAs) and Enterprise Investment Scheme support to renewable energy and clean tech systems, providing an attractive headline for investors and developers to install new renewable power and heating systems. Additionally, extend the ECA scheme to vehicle rental and leasing companies so that they are able to write down 100% of the cost of the first year of buying a Battery Electric Vehicle (BEV). Companies buying BEVs presently do this and extending the policy would stimulate the electric fleet market.

3. Provide Business Rate relief to companies with renewable energy and clean tech systems installed.

REA Resources and Publications

- Beyond the Tipping Point Flexibility Paper (2017): https://www.eaton.com/gb/en-gb/company/news-insights/re-study/beyond-the-tipping-point-study-2017.html
- Bloomberg New Energy Finance – Flexibility Solutions in High Renewable Energy Scenarios paper (November 2018): https://www.r-e-a.net/resources/flexibility-solutions-for-high-renewable-energy-systems/
- REA Interoperability of Public EV Charging in the UK paper (February 2019): https://www.r-e-a.net/resources/the-interoperability-of-public-ev-charging-networks-in-the-uk/
- REA Bioenergy Strategy (September 2019): www.bioenergy-strategy.com/
- REA discussion paper on a future green gas policy mechanism – *on request*
- Flexible Futures report (November 2019): https://www.r-e-a.net/resources/flexible-futures-report/

[i] YouGov: "Top issues facing the country tracker": https://yougov.co.uk/topics/politics/articles-reports/2019/10/29/political-trackers-24-25-oct-update