

# Autumn Budget Submission

# September 2024

## **Key messages**

- With the right policies, the UK's renewable energy industry **can deliver immense economic growth** and prosperity to the UK.
- Unlocking renewable energy development to achieve the Government's technology targets will lead to direct benefits including over £100bn in private investment, over 120,000 jobs (including opportunities for those transitioning from oil and gas sectors) and the lowest cost energy prices for consumers and other UK industries.
- Critically, there is also an industrial opportunity to be seized by supporting the renewable energy supply chain, with growth expected right across the UK and worth up to <u>£25bn in GVA over</u> the next 10 years for offshore wind alone.
- However, this can only be achieved if we accelerate deployment of renewable energy projects. To unlock this economic growth, the Autumn Budget should:
  - Scale up the UK's renewable energy supply chain by confirming the £390m capital investment allocated at the previous Autumn Budget, and through co-funding for the Industrial Growth Plan, developed by the renewables industry with The Crown Estate, the Crown Estate Scotland and the Offshore Wind Industry Council.
  - Announce further policies to promote port investment at scale, including through the new National Wealth Fund and The Crown Estate investment powers.
  - Ensure that future Contracts for Difference (CfD) allocation rounds are set to <u>maximise investment in eligible renewable</u> <u>energy projects</u> on a pathway consistent with Government ambitions for power sector decarbonisation.
  - Ensure that we have the workforce to deploy renewable energy by incentivising training and skills for renewable energy jobs through tax reliefs and incentive payments.
  - Support the development of a UK green hydrogen market by sufficiently funding future Hydrogen Allocation Rounds and accelerating the development of business models for largescale hydrogen storage.
  - Support the deployment of new large electricity storage options by accelerating the 'cap and floor' mechanism.
  - Align the EU and the UK Carbon Border Adjustment
     Mechanisms and explore with the EU the linking of the EU and
     UK Emissions Trading Schemes.
  - Improve the planning and consenting process by increasing Government resources for planning bodies.

## **Renewable energy economic footprint**

#### Opportunity



Scaling up the UK offshore wind manufacturing, supply chains and port capabilities could add £25bn in GVA to the UK economy by 2035.

#### Value added



For each gigawatt of new offshore wind installed, the sector contributes **£2-3bn in GVA to the UK economy**.

#### **Onshore wind**



Delivering 30GW of onshore wind by the end of the decade would **boost the UK economy by £45 billion**.

#### **Onshore wind**



The onshore wind sector could support over 27,000 jobs by 2030.



Government's target of 60GW of offshore wind by 2030 will unlock over £100 billion of private investment.

#### **Offshore wind**



The offshore wind industry currently employs 32,000 people and that number is expected to rise to over 120,000 by 2030 (based on 60GW).

#### **Energy Security**



Renewables provided 46.4% of the UK's electricity last year, a new annual record. Wind is the largest source of clean power, and provided over 60% of all renewable electricity last year.

#### Additional capacity



The new capacity added over the past year generates enough electricity to power the equivalent of **more than 14 million homes**.

#### **Energy Cost**



Renewable energy is the **lowest**cost form of new electricity generation and is less exposed to volatile international price changes than gas, offering greater energy independence and security.

### **About RenewableUK**

RenewableUK is the leading renewable energy trade association in the UK. Our members are building our future energy system, powered by clean energy, including offshore and onshore wind, tidal stream, green hydrogen, energy storage and future systems management. We bring them together to deliver that future faster; a future which is better for industry, billpayers, and the environment. We support over 450 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and to access export markets all over the world. Our members are business leaders, technology innovators, and expert thinkers from right across industry.

RenewableUK welcomes the opportunity to provide an Autumn Budget submission and would be happy to follow up with any further detail if required.

## **Overview**

Renewable energy in the UK is not only essential to the Government's clean energy mission and energy security, but it is also key to our economic growth mission, providing both short and longer-term economic growth and prosperity in the UK.

Unlocking renewable energy growth and delivery brings direct benefits in the form of job creation and private investment. It will also lead to cheaper energy bills that will increase the competitiveness of UK businesses.

Furthermore, the acceleration of the UK's renewable energy sector needed to meet the 2030 clean power target and the sustained transition to a net zero economy represents a major opportunity for industrial growth around the country. Access to low-cost renewable power will enhance the international competitiveness of UK businesses and attract international investment in new low-carbon manufacturing and energy-intensive sectors (e.g. data and Al).

Critically, the direct manufacturing and supply chain opportunities for UK suppliers supporting the build-out of new power generation and grid infrastructure will support regional and local growth strategies, all over the UK (see the map below). There is a clear pathway for growth through the Offshore Wind Industrial Growth Plan, which could lead to £25bn in GVA over the next 10 years, and renewable energy should be a central industrial strategy focus for the Government.

A series of low-cost measures in the Autumn Budget can significantly accelerate this growth and enhance economic benefits, especially when paired with targeted investment through a robust industrial strategy. To maximise growth potential, His Majesty's Treasury (HMT) should prioritise and deliver policies in the following areas:

- 1. Investing in projects, supply chain, skills and industrial growth
- 2. Reforming the fiscal and tax regime to bolster renewable energy industry competitiveness and resilience

# The Offshore Wind Industrial Growth Plan – a detailed industrial strategy

The <u>Offshore Wind Industrial Growth Plan</u> is a comprehensive industrial strategy which acts to align Government and industry funding and initiatives, developed in collaboration with the Offshore Wind Industry Council, The Crown Estate and The Crown Estate Scotland.

It provides a clear framework to guide investment, both public and private, into areas in which the UK can, based on clear evidence, expect to secure the best competitiveness, energy security, economic growth and significant export opportunities. These opportunities are distributed across the regions from Northern Scotland down to South-West England, thereby leveraging the UK's regional capability.



## Recommendations

#### 1. Investing in projects, supply chain, skills and industrial growth

We recommend that the Chancellor:

- Announces that renewable energy is a central industrial strategy focus and supports the UK's supply chain for offshore wind through a multi-year co-funding programme with industry, aligned to the Industrial Growth Plan. Confirm that the £390 million capital investment funding will be taken forward as a matter of priority, as committed in the previous Autumn and Spring Budgets to expand UK-based supply chains for the offshore wind industry and electricity networks.
- Announces policies to overcome barriers to early investment in ports, such as through revenue support and investment models, in addition to ensuring the National Wealth Fund, The Crown Estate, relevant Government departments and devolved administrations are aligned with industry goals to maximise impact as soon as possible. Increasing ports capabilities and capacities as soon as possible is essential to unlocking supply chain and associated industrial growth opportunities, as well as achieving the Government's offshore wind targets.
- Ensures that the parameters for the Government's Contracts for Difference (CfD) Allocation Round 7 and future allocation rounds are set in a way that is consistent with the Government's clean energy mission. This should be tied to new 2035 and 2040 technology targets, possibly set through "Mission Control", which translate to ambitious annual target volumes for Contracts for Difference Rounds to achieve these targets. See our recent report for more detail.
- Improves resourcing and efficient processes in planning and consenting areas, including departments, devolved governments, local authorities and relevant nature conservation bodies. These reforms, which are relatively inexpensive, are critical to helping accelerate renewable energy deployment and maximise industrial growth potential, and will yield an extremely high return on investment for the UK.

- Supports the development of emerging long duration electricity storage and green hydrogen markets to ensure our energy system is secure and best value for consumers and businesses. This should include the following immediate actions:
  - sufficiently fund future Hydrogen Allocation Rounds to facilitate green hydrogen sector growth in alignment with Government targets
  - accelerate development of business models for large-scale hydrogen storage and pipelines, thereby boosting UK energy security through the storage of green hydrogen and helping establish a green hydrogen market in the UK
  - accelerate delivery of a 'cap and floor' mechanism to enable investment in long duration electricity storage as soon as possible and commit to opening the first application window first half of 2025
  - increase funding for research and development for long duration energy storage solutions, including green hydrogen storage.

# 2. Reforming the fiscal and tax regime to bolster renewable energy industry competitiveness and resilience

We recommend that the Chancellor:

- Establishes a tax framework that encourages investment and fosters innovation. HMT should maintain current incentives that are attractive to investors, including Freeports and Investment Zones, and expand tax and levy reliefs to incentivise investment in renewable energy projects, enabling infrastructure and supply chains, including expanding reforms to capital allowances.
  - In particular, we recommend that the Capital Allowances Act 2001 is amended to clarify that 'expenditure on the provision of plant or machinery' includes all expenditure necessarily incurred on the design, construction, and acquisition of the plant or machinery [AND] including all expenditure without which the plant or machinery could not have been constructed or acquired' to ensure that costs prior to the beginning of construction are eligible for capital allowances.
- Commits R&D funding to support innovation through an Industrial Growth Plan. Innovation is crucial for driving productivity, with the UK excelling in high-growth sectors such as green industries, digital technology and advanced

manufacturing. To maintain our position as a global leader in supporting the most innovative businesses, it is essential to bring capital expenditure within the scope of R&D.

- Incentivises training, retraining, apprenticeships and tertiary
  education for renewable energy jobs that are essential to
  ensuring there is a workforce available to deliver the renewable
  energy projects. These can be provided through tax reliefs and
  incentive payments, and should apply to both the educators
  and employees as well as the students and trainees. This should
  include:
  - Establish a just transition fund (JTF), similar to the Scottish Government's £500m support for their JTF, to support workers transitioning from carbon intensive sectors to renewables, ensuring good quality employment and opportunities for acquiring skills and training, and supporting affected areas by working with communities.
  - Reforms the Apprenticeship Levy so that it is fit for identified necessary new green jobs so that it provides greater flexibility for employers, as well as increased employer incentives that boost delivery of apprenticeships in critical priority occupations and industries.
  - Creates a tax relief for clean energy training investment.
     Building on current exemptions for investment in work-related training, Government should establish a tax relief for employer investment in upskilling and retraining existing workers that enables employees to refresh, update and gain new skills at lower and intermediate levels. This could align with a just transition fund.
- Works with the EU to link the UK and EU Emissions Trading Schemes (ETS) to support carbon price stability and remove carbon pricing differentials that will harm the competitiveness of UK electricity exports. In addition to this, HMT should align the new UK Carbon Border Adjustment Mechanism (CBAM) with the EU equivalent as much as possible, to ensure consistency and minimise regulatory burden between the two economies and avoid any trade barriers.
- Withdraws the Electricity Generator Levy (EGL) when it ceases to be operational in 2028, to increase investment competitiveness in renewable energy projects. Wholesale electricity prices have returned to pre-crisis levels, and the EU has since withdrawn its revenue cap to attract investment.

#### Sources for infographic:

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