

Energy Bill 2022

The need to update energy legislation – May 2022

Key points

- Energy UK is calling for an Energy Bill to be included in the Queen's Speech taking place on 10 May 2022.
- The industry, the economy and the world has changed dramatically in the last decade– now is the time that legislation is needed to update this essential service for customers, the economy and our national security.
- Any Energy Bill should set the foundations for the next decade to support customers and the energy industry to deliver a low carbon power system by 2035.
- Legislation should enable private low carbon investment in the UK, deliver value for consumers now and in the future, establishing a modern governance framework fit for a low carbon energy system.

Purpose of the Bill

There has been no major energy legislation since 2013. A new Energy Bill should bring forward a legislative framework that modernises our energy system to enable the sector to deliver a low carbon power system by 2035, and towards a green economy by 2050. It would be timely, in the face of Russia's invasion of Ukraine and the knock on impact it has had in global increases in energy prices, that any future legislation supports the development of new low-carbon technologies that will help keep bills down for customers while protecting our national energy security.

Any new Energy legislation should focus on three priorities:

1. Securing low carbon investment and creating green jobs
2. Delivering value to energy consumers
3. Establish a low carbon governance framework

Part 1 – Securing low carbon investment and creating green jobs

Any Energy Bill should create the framework and direction of travel for the UK energy market that gives private investors confidence to invest. The quicker we deliver these provisions, the quicker we can move away from Russian hydrocarbons and towards cheaper energy bills for customers.

The Energy Bill should:

- Enable greater innovation in Net Zero technologies by delivering new business models for Carbon Capture, Usage and Storage (CCUS), Hydrogen production and storage; and negative emissions technology such as BioEnergy with Carbon Capture and Storage (BECCS).
- Introduce a legal definition of energy storage and other approaches to using energy differently, which would encourage investment in these technologies across the UK and including provisions to enable a suitable investment mechanism to be introduced to support investment in large-scale long-duration storage.
- Through a carbon credit scheme, set requirements on manufactures to ensure production of a specific number of low carbon heating technologies, such as heat pumps, each year until 2028 to drive forward investment in domestic manufacturing of low carbon heat options.
- Reform the national transmission network and wider grid connections processes, supporting the delivery of the government's targets for 50 Gigawatts of offshore wind by 2050 and increased

deployment of solar and battery storage by open up delivery of large scale energy transmission wires to competition where it would deliver efficiencies and cost savings to customers

- Expand the UK's Emissions Trading Scheme beyond the current consultation proposals to include other sectors of the economy and incentivise low carbon technologies.
- Move policy costs into wider government spending to better incentivise the uptake of electric heat pumps and residential EV charging.

Part 2 – Delivering value to energy consumers

An Energy Bill must look to support consumers by keeping bills down and delivering value for money.

Any Energy Bill should:

- Update building and planning regulations for new build properties to cut energy usage by improving energy efficiency standards, installing smart meters, requiring low carbon heating options and including electric vehicle charging points.
- Remove practical barriers to deployment of electric vehicle charging and heat networks by giving this infrastructure appropriate priority with regards to planning permissions and land access.
- Deliver the recommendations of the Energy Data Taskforce and Energy Digitalisation Taskforce to ensure our energy system is data driven. For example in delivering the smart meter rollout and in deploying modern monitoring technology across GB energy networks.
- Provide clarity on the future of the price cap after 2023 to support the development of a sustainable and competitive retail sector and protect the interests of customers.
- Give the Secretary of State for BEIS powers to design an energy market and retail market that is fit for the low carbon energy system.
- Introduce regulations to protect households and business customers when using Third Party Intermediaries, such as price comparison websites, to engage in the energy market including when using brokers and price comparison websites.
- Introduce heat network regulation to ensure current and future customers connected to a heat network have closer alignment with protections already afforded to those using gas boilers.
- Improve the energy efficiency of our existing homes and businesses by reforming technical methodologies, such as the Energy Assessments required when selling a property, including Energy Performance Certificates (EPCs).
- Set a requirement for off gas grid properties to move to low-carbon heating technology at the end of the life of their existing heating source, addressing the most polluting properties and stimulating the market for low carbon heat.
- Address existing market distortions created by the Energy Company Obligation 4, by introducing a buy-out mechanism or equivalent to allow smaller energy suppliers to easily participate, thereby allowing the obligation, and its costs, to be expanded to all energy suppliers.
- Introduce stronger policy measures to increase the uptake of smart metering, for example, requiring landlords to install a smart meter in order to be able to rent a property and mandating the installation of smart meters on consumers when the existing meter is at the end of life..
- Require energy suppliers to provide quarterly Renewable Obligation payments to protect customers' money against potential future supplier failures.
- Allow Ofgem to introduce 'Fit and Proper Persons' reforms to ensure new energy suppliers are run properly.
- As per the Smart Systems and Flexibility Plan, bring forward legislation to ensure that appliances at a domestic level are smart and are able to participate in markets with Electric Vehicles, heat pumps and other sources of flexibility.

Part 3 – Establishing a low carbon governance framework

An Energy Bill must update processes across the energy system that are increasingly slow and outdated.

An Energy Bill should:

- Establish an independent system operator, delivering on the proposed Future System Operator and ensuring a modernised approach to operating and balancing our energy system.

- Introduce a Net Zero Test for all new energy policy to ensure it contributes towards delivering on the UK Government's low carbon economy targets and ambitions.
- Provide appropriate powers to the Secretary of State for Business, Energy and Industrial Strategy to examine and review policies of other departments to assess their compatibility with the country's 2050 Net Zero target.
- Put into legislation established targets, including the phase out of coal by 2024, to send a further signal towards the UK's low carbon energy future.
- Update regulatory duties of regulators by providing Ofgem, the Environment Agency and Natural England with a primary duty to support the delivery of the Government's carbon emissions targets.
- Introduce a statutory obligation for environmental regulators in England to make decisions on environmental permitting within six months, which would help cut delays in developing low carbon generation.
- Reform the current complex and burdensome codes and governance approaches, simplifying and streamlining these processes to make it easier for responsible innovative businesses to bring new business models and technologies to the market.
- Provide powers to the Secretary of State for Business, Energy and Industrial Strategy to establish a national framework for Local Area Energy Planning that sets out a common methodology and funding approach for delivery of local Net Zero plans developed by regional and local authorities.

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