Energy Policy Matters: The Growth and Skills Levy

February 2026

The transition from the Apprenticeship Levy into the Growth and Skills Levy will be the greatest overhaul to the apprenticeship system in nearly a decade. Apprenticeships are not exclusive to the energy sector, but they are central to the projected increase in the clean energy workforce over the coming years.[1] Greater alignment with industry needs will be crucial to overcoming the current shortcomings in the system and supporting new talent into the sector.

The background

- Apprenticeship schemes provide an essential route into roles across the entire energy sector, covering crucial areas such as low-carbon heating installation, smart metering, and network infrastructure, as well as business roles in energy retail focused on digitalisation and customer service enhancement.
- In 2017, the Apprenticeship Levy was introduced in the UK as the principal funding mechanism for these programmes. UK employers with annual employee salary bills over £3 million make a 0.5% contribution of this sum towards an apprenticeship service account. The Government then applies a 10% top-up.[2]
- These funds can then be used by employers, including those that do not qualify to pay the levy (such as small companies in the supply chain, which can also benefit in some instances from additional levy gifting) to subsidise the training and assessment costs of apprenticeships within the existing funding bands.
- The Department for Education holds responsibility for apprenticeships, although Skills England, an executive agency sponsored by the Department for Work and Pensions, replaced the Institute for Apprenticeships and Technical Education in June 2025 and plays a growing role in developing skills policy.
- Building on a Labour Party manifesto commitment, the Government has set out plans to broaden the Apprenticeship Levy into a Growth and Skills Levy, which will allow employers to deploy funds across a wider range of training courses. There is also a growing alignment between the skills system and the needs of the eight frontier growth-driving sectors identified in the UK's Modern Industrial Strategy.
- To address the challenge of getting new entrants into key roles, in August 2025, seven foundation apprenticeships were launched by the Government, including one in engineering and manufacturing that has strong links to the clean energy sector. These provide young people aged 16-21 with an introductory, Level 2 entry point into the workforce.

- The Government also announced that from 2026, Level 7 apprenticeships for adults aged 22 and over will no longer be supported by the levy and will need to be funded by employers externally instead.
- In its Post-16 Education and Skills White Paper, the Government confirmed employers will be able to use the levy to subsidise short, flexible training courses known as ‘apprenticeship units’. These could last from one week to a few months and will cater to critical skills needs in industrial strategy growth sectors, including clean energy. Content will be drawn from existing apprenticeships, although it is not yet clear what courses will be available in this format or how they will be assessed.
- The overall minimum duration of apprenticeships has been reduced from 12 to eight months.
- At the 2025 Autumn Budget, the Chancellor made a series of further announcements, committing to fully fund apprenticeship training for eligible 16–24-year-olds at non-levy paying employers from the 2026/27 academic year onwards. This was done by removing SME’s co-investment rate of 5% of training costs for 22–24-year-olds, meaning the full costs of apprenticeships for all eligible under 25-year-olds delivered by non-levy payers are now covered by the Government.
- The Government also reduced the expiry window of levy funds (the time companies have to spend their levy within a set time period or lose it) from 24 months to 12 months, stopped the Treasury’s top up of contributions made by businesses to the levy (previously 10%), and lowered its co-investment rate from 95% to 75% for levy paying employers who have exhausted their available funds.
- In February 2026, ahead of National Apprenticeship Week, the Government announced the introduction of a university clearance-style system to match ‘near-miss’ applicants with similar apprenticeship opportunities in their area. The approval process to update apprenticeships and develop short courses to address urgent skills needs in major projects will also be reduced to as little as three months.

The challenge

- At a time when the energy system is going through a historic transformation, with large amounts of investment and an ambitious Government target to double the size of the workforce to 860,000 jobs by 2030, unlocking the full potential of the apprenticeship system will be crucial.
- The recent changes to apprenticeships reflect an attempt from the Government to reform what is perceived to be a flawed mechanism that has led to a declining number of apprenticeship starts in England over the last decade, from around 509,000 in 2015/16 to 354,000 in 2024/25.[3]
- In 2024-25 there were over 155,000 fewer starts than in the year before the current levy system was introduced, and only 21% of starts were aged under 19. By contrast, 51.3% of starts were by apprentices aged 25 or older.[4]

- Apprenticeship numbers in SMEs - crucial players in the UK's domestic energy supply chain - were historically in line with those in larger businesses but have plummeted over the last decade.[5]
- The situation is a result of the mismatch between the operation of the apprenticeship system and the needs of the growing energy sector.
- The Treasury sets the levy budget (which determines how much money employers can spend) for England, with devolved governments receiving a corresponding amount via the Barnett formula. It is unclear how the amount is set and there have been several recent years where the amount paid in by employers is significantly higher than the budget.[6]
- Industry has criticised the lack of flexibility within apprenticeship course design, which makes it difficult for employers to tailor apprenticeship programmes to their specific needs. Whilst the Government has committed to reforms to make courses shorter and more flexible, it is unclear what these new courses will look like and there has been a lack of engagement with industry to ensure any changes work for them.
- Businesses are increasingly having to design their own bespoke apprenticeships in partnership with colleges and universities to meet their needs, while some larger companies can deliver training courses in their own specialised facilities.
- This general complexity around accessing and deploying the levy creates a further administrative burden that can be especially detrimental to SMEs that lack a dedicated human resources department. But even larger employers, who are able to invest in their own bespoke apprenticeship programmes, struggle with the resource-intensive, bureaucratic processes around securing the required regulatory accreditation.
- Apprenticeship funding also cannot be used to cover the indirect costs of non-training expenses such as transport, accommodation, equipment, or additional learner support, which if left unresolved create significant barriers for people entering the workforce. The Low Carbon Heating Technical Apprenticeship (LCHTA), for example, requires significant investment in tools and equipment, which employers must currently fund themselves.
- The existing incentives in place are also insufficient to counterbalance the cost of covering the salaries of apprentices on days when they are off-site in training. Similarly, sole traders and smaller firms experience a greater impact on productivity when taking on an apprentice which can negatively affect their viability.
- At the same time, levy gifting to other organisations often involves identifying suitable businesses in the supply chain or a similar industry, aligned to the levy-paying business' goals, which can prove challenging without adequate support.
- The removal of the higher Level 7 funding for those 22 and over is also limiting the ability to upskill experienced engineers into advanced technical and leadership roles, as there is a critical gap for a number of Level 6+ roles in the energy sector. It also reduces employers' ability to support people transitioning between sectors mid-career.

- Funding bands for apprenticeships have not been reviewed since 2015, meaning the costs of those that are expensive to run due to the need for specialist equipment and staff teaching, for example in advanced manufacturing and engineering, are not fully covered. This leaves training providers to face higher cost pressures, sometimes at the expense of quality.[7]
- The devolved nature of skills policy creates additional challenges for businesses with cross-border operations, since they are unable to consolidate levy resources to run organisation-wide training programmes that involve workers from different devolved governments. Depending on where businesses deliver their training, this can lead to a large proportion of unspent levies or disjointed training provision, as standards and modules vary between different training courses.
- There are additional complications in Scotland, where the Scottish Government's definition of funding allocations by age brackets leads many businesses to pay extra top-up fees to training providers. Moreover, the distribution of the levy is made directly to training providers, which results in a "first come first served" approach where levy payers chase the same funded spaces alongside non-levy payers.
- There are also notable geographic inequalities. Long-term underinvestment in colleges and the further education sector, impacting the attraction and retention of teaching staff, means many apprenticeship programmes are undeliverable in certain parts of the country, despite industry and student demand.
- Finally, a broader lack of awareness and visibility of apprenticeship opportunities damages the attractiveness of this entry-route into industry. Apprenticeships in the energy sector, for example, cannot be searched for via the Government's website, as this follows Skills England categorisations. Many still assume apprenticeships are only for young people or entry-level-level roles and are not aware of the breadth of courses or the higher levels of education available. This can reduce demand from applicants in some areas, making it difficult for businesses and training providers to invest in their expansion. Meanwhile, in other parts of the country, apprenticeship courses are oversubscribed and exceed training capacity.

What's the solution?

- Long-term policy and regulatory certainty remain key to unlocking private sector investment in apprentices, training, and the building of the clean energy workforce. Ongoing work to speed up the delivery of new energy infrastructure is essential and policies that provide companies with more confidence about future low carbon technology market size are needed.
- There needs to be greater clarity, transparency, and engagement with the energy industry around the ongoing reforms of the Growth and Skills Levy, how budgets are set and a clear timetable for future changes. There should also be greater engagement with

the energy sector on how shorter courses can better match business needs, while not compromising on their quality.

- The revenue from the Growth and Skills Levy should be ringfenced for investment in the skills system and greater transparency around its expenditure, for example annual public reporting and assessment impacts, should be provided to monitor its performance.
- As part of this, the Government should publish data on how many apprenticeships are being created through unspent levy funds, where funds are being spent, at what levels, and in what sectors. This will help assess the impact of the levy, monitor the use of unspent funds, and will also spotlight where there have been successes.
- The Government should also look to publish more granular data on apprenticeships, such as whether an apprenticeship is supporting a new entrant to the labour market or upskilling an existing worker.
- Funding bands for apprenticeships should be reviewed to ensure they are sufficiently high to cover more expensive but essential engineering courses. In some areas like energy, funding for key specialist Level 7 courses should be reinstated.
- Providing greater flexibility should remain a top priority. This allows employers in the energy industry to use levy revenue to directly fund the upskilling or reskilling of workers, including those above 22 who have joined from different sectors. There is a growing need for workers to transition away from declining industries towards the clean energy sector, or recruit people currently out of the jobs market.
- Employers who choose to develop bespoke apprenticeships in partnership with a university or a college should face a reduced bureaucratic burden in obtaining the required accreditation. It is important to smooth the partnership process between industry and training providers, but changes must not reduce the quality or create inconsistencies in training, which could damage the long-term development of a skilled workforce.
- The administrative burden of managing levy expenditure should be streamlined, and additional support should be provided to SMEs who lack the adequate resources to engage in the process.
- Employers should also be allowed to use a portion of levy funding to cover indirect costs and off-job expenses other than strictly training, for example travel expenses or linked qualifications such as pre-apprenticeship courses.
- Larger developers should be able to gift funding from the Growth and Skills Levy to their supply chains with greater ease. This could be done by more local authorities playing a larger role in matching SMEs in need of additional funding with large businesses, or by pooling the levy around a specific region to support targeted training as part of a joint venture.
- In general, high-quality Labour Market Intelligence will help tackle budget overspend and enable good decision making by showing larger employers where there are specific skills shortages and it makes sense to invest or gift the levy to relevant SMEs.

- The Government should provide targeted support to SMEs in industrial strategy growth sectors to better incentivise the taking on of apprentices, including increasing the Apprenticeship Incentive Payment from £2,000 to £3,000, and providing small employers with funding support for the wages of apprentices, especially for days they spend in offsite, classroom training.
- Businesses operating across different devolved governments should be able to be utilise levy funds across borders in line with their strategic skills needs across the UK.
- Lastly, funding for the education sector needs to be increased across a long enough lifecycle to provide confidence and certainty for colleges, universities, and training providers to build capacity and invest in facilities, specialist equipment and staff. The Government should explore introducing a mechanism to incentivise experienced workers entering retirement to take on mentorship and training roles to support the entry of new people into to the workforce.

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[1] Department of Energy Security and Net Zero (October 2025) Clean Energy Jobs Plan

[2] For more information on this topic, see Aldersgate Group (2024) Beyond the levy: Ensuring the effective implementation of the Growth and Skills Levy

[3] House of Commons Library (2025) Apprenticeship statistics for England

[4] House of Commons Library (2025) Apprenticeship statistics for England

[5] For illustrative figures on this topic, see Aldersgate Group (2024) Beyond the levy: Ensuring the effective implementation of the Growth and Skills Levy

[6] For more information on this topic, see Institute for Fiscal Studies (2025) Funding, finance and reform: an analysis of the Post-16 Education and Skills White Paper

[7] For more information on this topic, see Make UK (2025) What are Make UK's asks on Apprenticeships and Skills?