



Department for
Business, Energy
& Industrial Strategy

Lord Callanan
Minister for Business, Energy and
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Baroness Jones of Moulsecoomb
House of Lords
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2 February 2022

Dear Baroness Jones,

I am writing in response to your request for further details during Grand Committee session of the Subsidy Control Bill on 31 January regarding the Government's approach to Net Zero and community energy projects.

Government's approach to Net Zero

As I stated at Committee, but which may be useful to reiterate here, all subsidy schemes will have to meet the terms of the domestic principles in Schedule 1 of the Subsidy Control Bill, which will also ensure that any schemes are well targeted and achieve good tax-payer value. Any subsidy scheme that relates to energy and environment will also have to be consistent with the additional principles in relation to energy and environment in Schedule 2 of the Bill.

The new subsidy control regime has been designed to allow strategic interventions in key sectors of the UK economy, particularly with respect to our Net Zero targets. I entirely agree that Net Zero is of critical importance – and of course you are aware that the Government published its Net Zero strategy last year in support of this.

I do also however stand by my remarks at Committee, that the principles provided in the Bill as it stands support our objectives on Net Zero. The importance of both a sustainable energy system and environmental protection are recognised in Principle A, which is consistent with our Net Zero priorities.

The UK has a world-leading emissions reduction framework in place. The Climate Change Act 2008 was the first of its kind and made the UK the first country to introduce a legally binding, long-term emissions reduction target. In June 2019, the Government passed legislation to increase that target to a reduction of at least 100% by 2050 (Net Zero). The Act also introduced our innovative framework of carbon budgets to ensure continued progress towards that target, capping emissions in successive five-year blocks. The carbon budgets currently set in legislation (carbon budgets 1 to 6 covering the period between 2008 to 2037) are among the most stringent in the world. The UK over-achieved against the first (2008-12) and second (2013-17) carbon budgets, and the latest projections show that we are on track to meet the third (2018-22).

Through the Net Zero Strategy, the Prime Minister's Ten Point Plan and a range of policies that will act to decarbonise key sectors of the economy, we have set out



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concrete steps we will take to reach Net Zero emissions by 2050. The Net Zero Strategy sets a clear direction, giving businesses and industry the certainty they need to invest, grow, and make the UK home to new ambitious projects. This approach is designed to keep us on track for our emissions targets and other commitments, while adapting to real-world changes – driving progress in the short-term while keeping open the range of options for achieving Net Zero by 2050.

We have already announced policies involving subsidies in some sectors that highlight how the new regime can be utilised in support for these objectives, for example, the Clean Heat Grant and the Contracts for Difference Scheme.

Community energy schemes

I also noted your request for information around community energy schemes. As you know, community energy involves groups of people coming together to purchase, manage, generate, or reduce consumption of energy. This includes, but is not limited to, solar panels, wind farms, water farms, electric vehicle charging points and fuel poverty alleviation schemes. Programmes are usually not-for-profit, and profits raised from projects go back into the communities which they power.

The sector also seeks to inspire behaviour change among communities, for instance, through making people aware of their energy usage and involving more people in the path to Net Zero.

The Government recognises that communities have an important role to play in the Department's efforts to decarbonise the economy and there are already examples of excellent work happening in communities to support the transition to Net Zero. Through the introduction of UK-wide growth funding schemes, such as the Community Renewal Fund and the Towns Fund, Government is enabling local areas to tackle Net Zero goals in ways that best suit their needs. We encourage community energy groups to work closely with their local authority to support the development of community energy projects within these schemes.

Ofgem also supports community energy projects and has announced that from February 2022 it plans to welcome applications from community interest groups, co-operative societies, and community benefit societies to the Industry Voluntary Redress Scheme. This will allow groups to apply for funds to deliver energy related projects.

Not all community energy funding meets the definition of a subsidy set out in the Bill, but where it does, it will of course need to be compliant with the subsidy control requirements.

I trust that this additional information addresses your query. I will be placing a copy of this letter in the Libraries of the House.



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Yours sincerely,

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