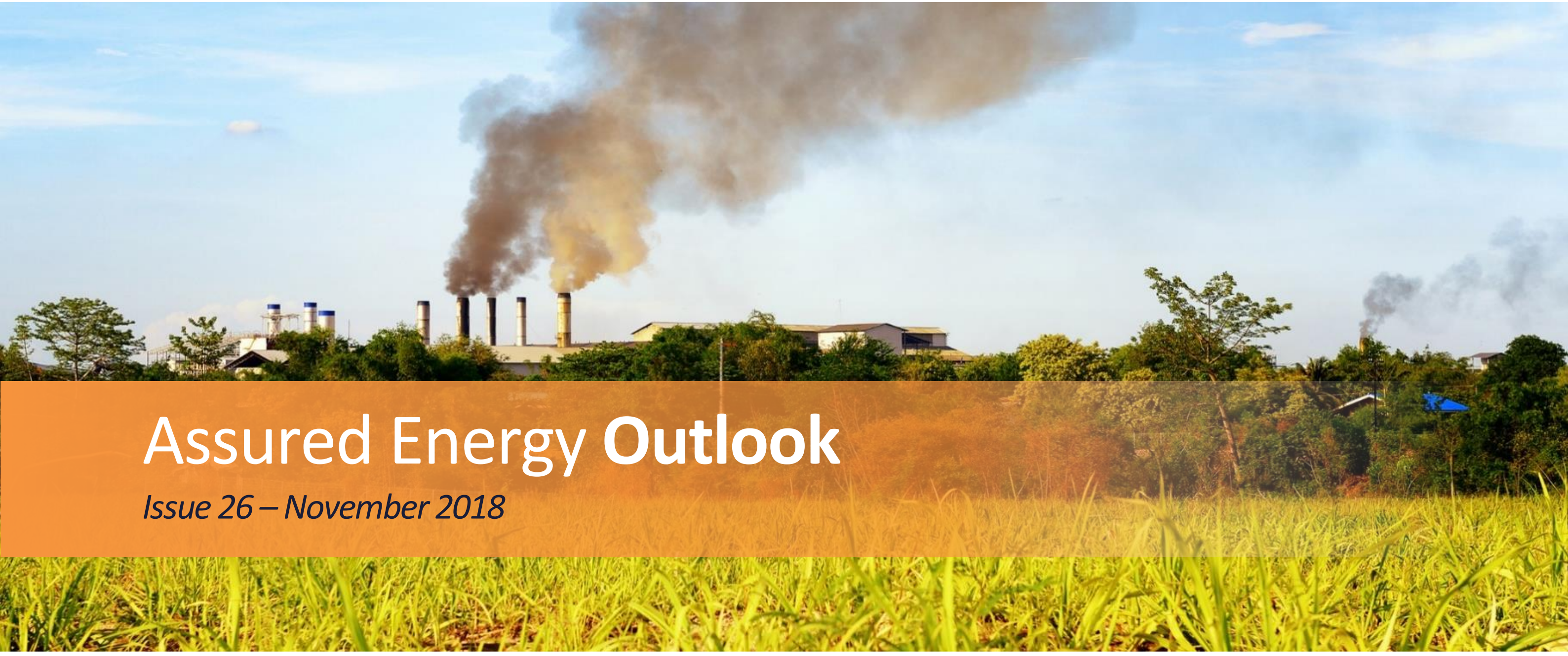

Assured Energy **Outlook**

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Budget energy announcements receive mixed reaction

Chancellor Philip Hammond delivered his Autumn Budget on 29 October, including a range of announcements relevant to the energy sector.

The Climate Change Levy (CCL), a tax paid by non-domestic energy users in the UK to incentivise use of greener energy, was confirmed to 2020-21. The gas rate is to increase in 2020-21 and 2021-22 so it reaches 60% of the electricity main rate by 2021-22. Other fuels, such as coal, will continue to align with the gas rate. The discount for sectors with Climate Change Agreements will change to reflect this.

It was also confirmed that a Carbon Emissions Tax, imposed at £16/tCO2, would put in place in the event of a no deal Brexit to replace the EU Emissions Trading Scheme (ETS), which enables companies to trade the right to emit carbon. The UK's top-up to the EU ETS – the Carbon Price Support – is to be frozen at £18/t of carbon but may be changed if total carbon taxes remain too high in the government's view.

Businesses with high energy use, it was announced, would be able to benefit from up to £315mn of low-carbon transition funding. Also, companies which invest in electric vehicle infrastructure would be able to utilise Enhanced Capital Allowances tax breaks.

Chief Executive of energy industry organisation Energy UK Lawrence Slade said of the CPS freeze: "While it is not our preferred solution we are encouraged by the intention to maintain a carbon price signal in the case of a "no deal" Brexit scenario." However, Labour Leader Jeremy Corbyn said the government had "failed abysmally to invest in the industries of the future necessary to tackle climate change". The Renewable Energy Association described the budget as a "missed opportunity" for the government to show support for renewables.

Draft Brexit withdrawal agreement outlined implications for energy sector

The government published a draft Withdrawal Agreement and the outline Political Declaration for the UK's future relationship with the EU on 14 November.

The documents included the impacts on the energy sector. A framework was proposed that would facilitate "technical cooperation" between gas and electricity transmission system operators in the UK and the EU Internal Energy Market, and mechanisms to allow continued UK-EU energy trading between the two. Additionally, it said that there would be no reduction in environmental protections, with greenhouse gas reporting to remain in place, along with a carbon pricing system of "at least the same effectiveness and scope" as the EU's carbon market.

Ofgem finds that SMEs are becoming more engaged with energy market

Ofgem's *Micro and Small Business Engagement Survey 2018* was released on 19 October and found that SMEs are becoming increasingly engaged with the energy market. While supplier and tariff switching rates remained stable, price comparison is going up and more businesses are renegotiating their contracts. 68% of micro and small businesses were defined as engaged – up 2% on last year.

However, it was still the largest of these small and micro businesses surveyed that were more likely to have switched supplier over the past 12 months. It was found that 32% of small businesses with 10-49 full-time equivalent employees switched supplier, while just 22% of sole traders did so.

Government rejects proposal to make climate risk reporting mandatory for businesses

A proposal put forward by the Parliamentary Environmental Audit Committee (EAC) to make climate-related financial disclosures mandatory for businesses has been rejected by the government. The announcement was made on 1 November by EAC Chair Mary Creagh, who said it was "disappointing" that the UK had not followed France's lead in making it mandatory for larger companies and asset owners to report their exposure to climate change risks and opportunities.

In response, the government said that the UK's existing framework of financial law and governance already allows companies to voluntarily disclose such information and that most organisations were already required to their report financial risks, including those arising from climate change.

It did, however, approve the EAC proposal to improve how pension schemes factor in climate change risks and opportunities when making decisions.

UK large and medium businesses found to be paying most for electricity out of EU15

The government released figures on 25 October which showed that large and medium businesses in the UK are paying more their electricity than in any other EU15 country.

Medium businesses, defined as consuming 2,000MWh to 19,999MWh annually, were found to have paid 11.25 pence per KWh between January and June this year. Large UK businesses, defined as consuming 20,000MWh to 69,999MWh every year, paid 11.27 pence per KWh, meaning even excluding taxes, UK businesses paid the most. Of the EU15 – countries that joined the EU before the 2004 expansion – UK large and medium businesses were paying the most for their electricity.

Of all EU member states, only Cyprus' large and medium businesses paid more for their electricity over the January to June period, at 11.75 pence per KWh and 11.58 pence per KWh, respectively. Additionally, UK small businesses paid the fourth highest amount for electricity over the period.

Government is warned of blackouts caused by "precarious" UK gas supply

The government has been warned that it is "taking its eye off the ball" concerning the UK's "precarious" gas supply. In a report published in November, energy consultancy Wood Mackenzie said that, following the closure of the Rough gas storage site last year (the UK's largest), the country's gas storage facilities were not adequate to handle significant demand spikes during extreme cold weather events, such as the Beast from the East.

The consultancy urged the government to "get some more gas storage in place", highlighting that the closure of the Rough facility off the Yorkshire coast has reduced the UK's storage capacity from 18 winter days to five.

It said that wind farms and coal plants had been used to meet the extra demand during the Beast from the East, but the planned closure of coal plants in the 2020s and slowing North Sea production would make meeting demand more difficult.

The GMB union echoed these warnings, fearing a winter heating crisis, saying there was "the very real possibly industrial users will be required to limit their usage of gas."

In other news

- Analysists Trucost released research on 5 November showing that businesses aligning with UN Sustainable Development Goals (SDGs) had generated $233bn (£178bn) in revenue worldwide.
- The government released its latest statistics on 25 October on energy production, consumption and prices covering the three months to August 2018. Coal generation decreased by 47% compared with 2017, representing just 1.2% of total supply from major power producers. Falls in the generation of wind and hydro energy were caused by drops in average wind speeds and rainfall.

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