



# Assured Energy Outlook

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## Government to consult on further technical amendments to Capacity Market

The government has launched a new consultation on proposed further technical amendments to the Capacity Market (CM) to keep it “running smoothly during the standstill period”. The standstill period has been in effect since the November 2018 ruling by the General Court of the European Court of Justice (ECJ) that the scheme violated state aid rules.

Launched on 7 March, the consultation seeks views on the government’s three main proposals. The first is to conduct a replacement T-3 auction (to guarantee supply three years in the future) to be held in early 2020, securing capacity for delivery year 2022/23 and replacing the T-4 (four years in the future) auction previously scheduled for January 2019.

The second is the introduction of generating technology classes for renewable technologies such as solar and wind in the CM. The government said it had proposed this following the August 2018 Call for Evidence in which 85% of respondents to the question “Should wind and solar be allowed to participate in the Capacity Market?” were in favour.

The third is changes to the methodology for interconnector de-rating factors – the de-rating reflects the proportion of an electricity source, which is likely to be technically available to generate at times of peak demand. The deadline for submissions is 4 April.

Meanwhile, Tempus Energy, which brought the case against the CM to the ECJ, issued a claim for judicial review against the department. The government announced in an email on 5 March that Tempus has argued that the government is prevented from continuing to operate the CM during its standstill period because of its obligations under state aid law. In response, the government said it will “robustly defend this challenge”.

## Government launches consultation on SME business energy efficiency scheme

In the 13 March Spring Statement, Chancellor of the Exchequer Philip Hammond announced that the government had launched a consultation on a small and medium-sized enterprises (SMEs) energy efficiency scheme. The government proposed three possible options for delivering the scheme. The first is a periodic energy efficiency auction based on competitive tenders in which energy efficiency installers or energy service companies could bid into to deliver energy efficiency measures for SMEs. The second is a business energy efficiency obligation which would work in a similar way to the Energy Company Obligation, which obliges large energy suppliers to help low income households install energy efficiency measures. The third option is to expand access to finance options for SMEs. The consultation closes on 8 May.

## Government outlines post-Brexit ETS plans

In a Written Statement to Parliament on 11 March, Energy and Clean Growth Minister Claire Perry announced that the government had extended the deadline for UK operators to surrender their EU Emissions Trading Scheme (EU ETS) allowances from 15 March to 26 March. The EU ETS is a scheme in which companies trade the right to emit carbon, designed to reduce pollution.

Perry stressed that this extension does not change the requirement for all UK operators to comply fully with their obligations under the EU ETS. She said that the government “remains committed to meeting its target to reduce its greenhouse gas emissions by at least 80 per cent by the year 2050, relative to 1990 levels”.

## One-third of UK electricity to be from offshore wind by 2030

The government published the Offshore Wind Sector Deal and announced that one-third of UK electricity is to be generated by offshore wind energy by 2030. Published on 7 March, the deal is intended to maximise advantages for the UK offshore wind sector to help achieve the Clean Growth Strategy and push the sector towards a “subsidy-free world”. In addition to offshore wind producing 30% of the UK’s electricity, the government also said that the UK would achieve 70% low-carbon electricity by the same date. As part of the deal, the government is targeting 30GW of offshore wind by 2030.

The CBI welcomed the announcement but added: “The government must redouble its efforts to implement all parts of the Industrial Strategy, in order to boost productivity and prosperity across the UK for the long run.” However, as reported by the *BBC*, Executive Director of Greenpeace UK John Sauven said that following the government’s nuclear “collapse”, the offshore wind target of 30GW by 2030 is “woefully inadequate”. He added: “Wind and solar must be tripled between now and 2030.”

## Decommissioning of UK’s first offshore wind farm to start in April

Energy company E.ON has announced that it is to begin the decommissioning process of the UK’s first offshore wind farm. In the 12 March announcement, E.ON said that this was because the turbines at Blyth offshore wind farm have reached the end of their technical lifespan.

The Blyth offshore wind farm, built in 2000, is to be decommissioned from April, with the process expected to take four to six weeks. E.ON was part of the consortium that built the two 2MW turbines off the Northumberland coast.

The company said that the wind farm generated enough electricity to supply 2,000 households and that it saved 4,520 metric tonnes of carbon each year. E.ON also announced that one of the turbines will be recycled and reused for spare parts within its onshore fleet and the other will be used for training purposes by the Port of Blyth.

## UK-Ireland interconnector announces influx of investment

The company developing the 500MW UK-Ireland Greenlink Interconnector has announced that global private markets investment manager Partners Group has acquired a stake in it. The interconnector will connect Co. Wexford in Ireland and Pembrokeshire in Wales with a 200km cable and will allow the trading of electricity between the two countries. Managing Director in Partners Group’s European private infrastructure team Esther Peiner said: “With the build-out of renewable energy generation in both countries, particularly the growth of offshore wind, infrastructure like Greenlink is essential to facilitate the low carbon economy as it will allow surplus renewable power to be exported between the two countries.”

This follows the announcement in February that Greenlink Interconnector Ltd had been awarded €3.6mn (£3.16mn) in funding from the EU under the Connecting Europe Facility. Construction of the Greenlink Interconnector is planned to commence in the second half of 2020.

## In other news

- Government 2018 energy trends data was published on 28 February, showing that renewable energy production increased by 8.7% in 2018 to over 20mn tonnes of oil equivalent. There was an increase in wind, solar and hydro output of 12% due to increased wind and solar capacity. Nuclear production was down by 7.5% due to outages in the fourth quarter of 2018. It was also found that coal production fell 15% in 2018, to a new record low of around 2mn tonnes of oil equivalent.
- New research has found that carbon emissions are falling in 18 countries including the UK, with the reduction greatest in those countries that have implemented renewable energy and energy efficiency policies. As reported by *The Times* on 26 February, the research found that overall emissions were still rising.

## Talk to us

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