

# SPRING BUDGET 2023

**Energy and Net Zero briefing note**



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The following briefing note provides an overview of measures proposed in the Spring Budget relevant to energy/net zero delivery.

## Energy production

### Carbon Capture, Utilisation and Storage

The government will invest **£20 billion** in CCUS over the next two decades – aiming to store 20-30 million tonnes of CO<sub>2</sub> a year by 2030.

The chancellor also confirmed two additional industrial clusters will be selected through ‘track 2’ of the CCUS cluster sequencing process and announced that there will be an “expansion” of track 1 to allow for further CCUS projects to enter the selection process.

### Nuclear

Last year the government announced plans to launch **Great British Nuclear**, a new body driving forward its ambition for 25% of the UK’s energy needs to be met through nuclear sources by 2050. The body is set to officially launch shortly, with full details to be released by the end of March.

Great British Nuclear will initially focus on supporting Small Modular Reactors and will launch a competition selecting projects by the end of the year. It will then support large-gigawatt scale projects.

The Chancellor also announced that, subject to consultation, nuclear power will be classed as environmentally sustainable as part of the tax framework, giving it similar incentives to those currently enjoyed by renewable projects.

## Household energy

### Energy bill support

The government’s Energy Price Guarantee, announced last year to reduce energy bills for households across the UK, will be extended for a further 3 months from April. The scheme will also be adjusted to remove the ‘pre-payment penalty’, which sees households on pre-payment meters pay a surcharge above those on direct debit.

### Energy efficiency

As part of his speech the Chancellor announced £6 billion to support the work of the **Energy Efficiency Taskforce** between 2025 and 2028; The Taskforce will ‘devise a workplan to help reduce total UK energy demand by 15% from 2021 levels by 2030 across domestic and commercial buildings and industrial processes’.

# Fiscal incentives

## Investment Zones

The government has relaunched its **Investment Zones** programme. 12 areas across the UK are set to receive £80 million in funds (through direct funding for infrastructure and R&D or tax incentives such as Stamp Duty and Business Rate Relief and zero-rate Employer NICs on salaries of any new employee working in the tax site) to drive growth in sectors including:

- **Green industries**
- **Life sciences**
- **Advanced manufacturing**

8 Combined Authority areas have been asked to begin developing proposals for an Investment Zone, including:

- **North East Mayoral Combined Authority**
- **South Yorkshire Mayoral Combined Authority**
- **Tees Valley Mayoral Combined Authority**
- **West Yorkshire Mayoral Combined Authority**

## Capital Allowances

The Chancellor announced an extension to first-year capital allowances for main rate expenditure of 100% from April 2023 for 3 years, as well as a 50% first-year capital allowance for long-life assets. It is hoped that this will improve the attractiveness of large capital projects, including net zero projects, and encourage further private investment.

## Fuel duty

The freeze in **fuel duty** has been extended for fiscal year 2023-24.

## Climate Change Agreement scheme

The government will extend the **Climate Change Agreement scheme** by a further two years (to March 2027).

The scheme allows for voluntary agreements to be made between UK industry and the Environment Agency to reduce energy usage and emissions in return for a discount on the **Climate Change Levy**, a tax added to energy bills.