



Department for  
Business, Energy  
& Industrial Strategy

The Rt Hon Alok Sharma MP  
Secretary of State  
Department for Business,  
Energy & Industrial Strategy  
1 Victoria Street  
London  
SW1H 0ET

To: All MPs

T +44 (0) 20 7215 5000  
E [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk)  
W [www.gov.uk](http://www.gov.uk)

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Dear Colleagues,

### ENERGY WHITE PAPER – POWERING OUR NET ZERO FUTURE

Today I have published the Energy White Paper, which sets out our ambitious plans to clean up our energy system, support up to 220,000 British jobs, and keep bills affordable as we transition to net zero by 2050.

Building on the Prime Minister's Ten Point Plan for a Green Industrial Revolution, the Energy White Paper details the specific steps the Government will take over the next decade to cut emissions from industry, transport, and buildings by 230 million metric tonnes – equivalent to taking 7.5 million petrol cars off the road permanently – while supporting many thousands of new green jobs.

At the core of our plan is the need to decarbonise the UK's energy system cost-effectively by 2050, and the White Paper includes a major programme of investment in offshore wind, clean hydrogen, carbon capture, usage and storage and nuclear, while reinvigorating our industrial heartlands with new manufacturing and export opportunities.

We will put affordability at the heart of the UK's decisive shift away from fossil fuels by unleashing a wave of competition in the energy retail market to reduce the loyalty penalty, and by providing financial support to the fuel poor and most vulnerable of at least £6.7 billion over the next six years.

Kick-starting the process of ensuring fairness and affordability for bill-payers will be a series of consultations in spring 2021 to create the framework to introduce opt-in switching, consider reforms to the current roll-over tariff arrangements, and a call for evidence to begin a strategic dialogue between Government, consumers and industry on affordability and fairness.

## **New Nuclear Power**

Alongside the Energy White Paper, the Government has today confirmed that it is to enter negotiations with EDF in relation to the Sizewell C project in Suffolk, with a view to making an investment decision by the end of this Parliament. If the negotiations were to reach a successful conclusion, the project would create thousands of new jobs during construction and operation.

Although renewables are likely to provide the majority of the UK's carbon-free power by 2050, reliable low-carbon power sources, such as nuclear, are also needed to achieve a low-cost reliable system for consumers. The Government is clear that any new nuclear power station must provide value for money for British taxpayers and consumers.

Today I am also publishing responses to the consultation on the Regulated Asset Base (RAB) model, which could help secure private investment into new nuclear and cost consumers less in the long run. The Government will continue to explore a range of financing options with developers including the RAB model. Given the scale of the financing challenge, we will also consider the potential role of government finance during construction, provided there is clear value for money for consumers and taxpayers.

No decision has yet been taken to proceed with Sizewell C, and the successful conclusion of these negotiations will be subject to thorough scrutiny and needs to satisfy the Government's robust legal, regulatory and national security requirements.

The Government will also continue to engage with other developers in the UK's new nuclear market. This includes creating an up to £385 million Advanced Nuclear Fund to support the development of Small Modular Reactors and to support research and development into more advanced nuclear technologies, such as advanced modular reactors, as these technologies progress towards commercialisation.

## **UK Emission Trading Scheme**

The Energy White Paper also confirms the Government's intention to establish a UK Emissions Trading Scheme (UK ETS) from January 1<sup>st</sup> 2021, replacing the current EU ETS at the end of the Transition Period. This will be the world's first Net Zero cap and trade market, increasing ambition on reducing emissions and providing continuation of emissions trading for UK businesses.

The UK ETS will promote cost-effective decarbonisation, allowing businesses to cut carbon where it is cheapest to do so. In doing so it will promote innovation and growth for UK businesses.

The UK ETS is more ambitious than the EU system it replaces - from day one the cap on emissions allowed within the scheme will be reduced by 5 percent, and we will consult in due course on how to align with net zero. This gives industry the certainty it needs to invest in low carbon technologies.

The Government has already legislated to establish the new UK ETS scheme, and the technical system underpinning the scheme is in final stages of development and on track to be ready on time.

As we move out of the shadows of coronavirus, this Energy White Paper opens the door to exciting new opportunities for our country, creating new jobs as we build the economy of tomorrow. Taking action now ensures the UK is set on the path to ending its contribution to climate change while enabling UK industry to seize new opportunities.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'A' followed by a large, sweeping curve that loops back under the 'A'.

**THE RT HON ALOK SHARMA MP**  
Secretary of State for Business, Energy & Industrial Strategy

## Overview of Key Commitments

The Energy White Paper sets out the Government's policies and commitments to power our transition to net zero by 2050. Key elements include:

1. **Supporting up to 220,000 jobs** in the next 10 years. This includes long-term jobs in major infrastructure projects for power generation, carbon capture storage and hydrogen, as well as a major programme of retrofitting homes for improved energy efficiency and clean heat.
2. **Transforming the UK's energy system** from one that was historically based on fossil fuels to one that is fit for a Net Zero economy, changing how we heat our homes and travel, doubling our electricity use, and harnessing renewable energy supplies.
3. **Keeping bills affordable for consumers** by making the energy retail market truly competitive. This will include offering people a simple method of switching to a cheaper energy tariff and testing automatically switching consumers to fairer deals to tackle "loyalty penalties".
4. **Generating emission-free electricity by 2050** with a trajectory that will see us have overwhelmingly decarbonised power in the 2030s. Low carbon electricity will be a key enabler of our transition to a Net Zero economy with demand expected to double due to transport and low carbon heat.
5. **Establishing a UK Emissions Trading Scheme (UK ETS)** from January 1st 2021 to replace the current EU ETS at the end of the Transition Period. It increases ambition on reducing emissions, and provides continuation of emissions trading for UK businesses and certainty on how they operate.
6. **Continuing to explore a range of financing options for new nuclear** with developers including the Regulated Asset Base (RAB) funding model, which could help secure private investment and cost consumers less in the long run. Given the scale of the financing challenge, we will also consider the potential role of government finance during construction, provided there is clear value for money for consumers and taxpayers.
7. **Delivering ambitious electricity commitments** through our world-beating commitment to deliver 40GW of offshore wind by 2030, including 1GW of floating wind, enough to power every home in the country, while attracting new offshore wind manufacturers to the UK.
8. **Investing £1 billion in state-of-the-art carbon capture storage** in four industrial clusters by 2030, sucking carbon out of industrial processes to stop emissions escaping to the air. Four low carbon clusters will be set up by 2030, and at least one fully net zero cluster by 2040, stimulating the market to attract new investors and manufacturers to reinvigorate our industrial heartlands.
9. **Kick-starting the hydrogen economy** by working with industry to aim for 5GW of production by 2030, backed up by a new £240m Net Zero Hydrogen Fund for low carbon hydrogen production.
10. **Investing £1.3 billion to accelerate the rollout of charge points for electric vehicles** in homes, streets and on motorways as well as up to £1 billion to support the electrification of cars, including for the mass-production of the batteries needed for electric vehicles. The rollout has levelling up at its heart, and will support economic growth across the UK, including in our strong manufacturing bases in the Midlands and the North East, while supporting the 169,000 jobs in our world-leading automotive sector.

11. **Supporting the lowest paid with their bills** through a £6.7 billion package of measures that could save families in old inefficient homes up to £400. This includes extending the Warm Home Discount Scheme to 2026 to cover an extra three quarters of a million households and giving eligible households £150 off their electricity bills each winter. The £2 billion Green Homes Grant announced by the Chancellor has been extended for a further year in the Ten Point Plan.
12. **Moving away from fossil fuel boilers**, helping to make people's homes warmer, whilst keeping bills low. By the mid-2030s we expect all newly installed heating systems to be low carbon or to be appliances that we are confident can be converted to a clean fuel supply.
13. **Supporting North Sea oil and gas transition** for the people and communities most affected by the move away from oil and gas production, ensuring that the expertise of the oil and gas sector be drawn on in developing carbon capture and storage and hydrogen production to provide new green jobs.