

Bird & Bird & Urban energy in the UK

2021 trends

The challenges that 2020 presented have not slowed down the UK's drive towards a zero carbon future. If anything, Covid-19 and Brexit have spurred on energy and climate change needs with greater momentum and sharper focus.

Government outlined its policies to facilitate the transition from fossil fuels to net zero emissions by 2050, in its December 2020 Energy White Paper, "Powering our Net Zero Future".

Here's an overview of the energy trends that 2021 will bring to the UK's built environment.

Development/retrofit

- In relation to planning, the **National Policy Statements** will be reviewed regarding new energy infrastructure and a framework for considering development consent applications.
- Government will respond to its consultation on energy efficiency of homes in the **private rental sector**, with proposals to meet a minimum of EPC Band C by 2028.
- The **Green Homes Grant** will continue to help fund energy efficiency retrofit measures to homes and will hopefully overcome its roll-out hiccoughs experienced to date. £320 million will be available, but the hundreds of millions of unspent 2020/21 budget will not be rolled over into the 2021/22 financial year.
- Government will consult on whether new build homes should any longer be connected to the **gas grid** from 2025, which links to the heat and hydrogen trends in this note.
- The Government is currently **consulting** on the Electricity Act license exemption regime. The aim is to review if the current regime remains fit for purpose in the changing energy landscape and continues to protect consumers' interests and reflect government policy.
- Social housing:
 - Government will review the **Decent Homes Standard** for better decarbonisation and energy performance of homes.
 - It has also pledged further funding support for the **Social Housing Decarbonisation Fund**.
- The Energy Networks Association and Ofgem have launched a **call for evidence** (which closes on 19 March 2021 and is administered through the relevant DNO) which aims to unlock **£300m in investment in the electricity grid** to support deployment of low carbon technologies. This is of particular interest to 'shovel-ready' projects that could be unlocked by network investment.

Heat

- **Legislation to regulate heat networks** will be progressed in order to protect consumers, set technical standards, and establish a regulator (probably Ofgem). Government is still analysing responses to its market framework consultation which closed in June 2020.
- **Heat network zoning** will be integrated into planning policy and will facilitate a local approach to heat decarbonisation which is tailored to demand and resources. A government consultation is due to be published in spring 2021. Further information can be found in a useful Association of Decentralised Energy **paper**.
- Publication of the **Heat and Buildings Strategy** is due shortly, setting out a route map for the transition to clean heat.
- The **Heat Network Transformation Programme** will provide £122 million to support the roll out of district heating systems and move to low or zero-carbon heat sources, although detail has not been released.
- 2021 will be the last year of **Heat Network Investment Programme** (HNIP) funding, which will be replaced by the **Green Heat Network Fund** as part of Heat Network Transformation Programme. It will focus on the recovery of waste heat and heat pumps.
- Government is proposing a **Clean Heat Grant** to succeed the non-domestic Renewable Heat Incentive (RHI), which will support heat pumps and biomass installation. A **policy design consultation** was launched on 15 February and will close on 5 March.
- Brexit has taken the UK out of the EU Emissions Trading System (EU ETS), to be replaced by a **UK Emissions Trading Scheme**, applying to the combustion of fuels in plants with a total rated thermal input exceeding 20MW. Draft **auction regulations** auction regulations and guidance were published on 11 February.

Future Homes Standard

- Government responded to its **Future Homes Standard consultation**, which will set stronger energy efficiency requirements for new-build homes in Parts L and F of the Building Regulations.
- This aims to ensure that from 2025, new homes will be "zero carbon ready", with emissions 75% lower than current Building Regulations.
- Interim Part L uplift measures to be introduced in 2021 are intended to achieve a 31% emissions saving based on current standards.
- Part L will require new-build homes to be fitted with low-carbon heating, with a greater focus on heat pumps and decarbonised heat networks.
- The consultation response confirmed that new homes connecting to existing heat networks will need to meet the full primary energy, emission and fabric energy efficiency rates, without any relaxation in standards.
- Early in 2021, government will consult on SAP 10.2 for heat networks, addressing the carbon performance of gas-fired CHP.
- Government has also opened a **consultation** on the **Future Buildings Standard**, the equivalent of the Future Homes Standard for non-domestic buildings and existing dwellings, which closes on 13 April.

Hydrogen

- The race to produce and harness clean hydrogen continues.
- The use of fuel cells for electricity generation and green hydrogen for gas supplies will play an increasingly important role in decarbonising the energy system.
- In 2021, Government will consult on '**hydrogen ready**' appliances following the conclusion Hy4Heat programme, which supported the development of prototype boilers, cookers and fires.
- It is also planning to pioneer a **Hydrogen Neighbourhood** heating trial, and then scaling up to a potential Hydrogen Town by 2030.
- Government has committed to invest £20 million in 2021 towards advancements in hydrogen and other zero emission truck and HGV technologies.

Electric vehicles

- In November 2020 the Government announced an **updated 2-staged approach** to phase out petrol and diesel cars in the UK: firstly with the sale of new petrol and diesel cars and vans to be phased out by 2030; and, secondly with all new cars and vans to be zero emissions (at the tailpipe) by 2035.
- The Government is planning to consult on the meaning of '**significant zero emission capability**' (the standard that new cars must meet by 2030) and set out a delivery plan in 2021.
- Government intends to introduce **regulations** in 2021 to mandate (via changes to building regulations) the installation of charge points into all new homes and non-residential buildings, and is considering how to apply this principle to buildings undergoing major renovations.
- Government has been consulting on the introduction of **smart charging** for EV and is expected to release its policy documents following its previous consultation on this issue in 2019.
- The CMA has launched a **market study** into EV charging that will be conducted during the course of 2021. The study aims to consider the extent to which EV charging services may affect the interests of consumers, and to assess the extent to which any steps need to be taken to mitigate or avoid any adverse impact on consumers.

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