REA

Post-Autumn Budget 2024
REA Member Meeting

Tuesday 5th November 2024

REA Competition Law Policy

- REA's compliance with all aspects of UK Competition Law applies to all activities of REA including its subsidiaries Member Forums, committees, working groups, technical groups, and sub-groups and any other such meeting:
    - Members are not permitted to discuss competitively sensitive information, or to use REA as a conduit for such discussions
    - Competitively sensitive information covers any non-public strategic information about a business's commercial policy. It includes, but is not limited to, future pricing and output plans
    - Please note this session is being recorded for note taking purposes

Welcome and Agenda

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- Update from HM Treasury
- REA’s Response to the Budget
- Budget Overview and Invest to Grow Approach
- What the Budget means for:
  - Transport
  - Heat and Power
  - Circular-Bioresources
  - Taxes, Levies and the wider Net Zero Economy
- Presentation from James Dudbridge, Director at Forrest Brown on the Budget’s Tax Implications incl. R&D Tax Credits
- REA 2025 and Working with Government
- Upcoming Events

William Heath

Head of Renewables, HM Treasury

REA’s Response to the Budget

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REA Press Release

30 October 2024

REA responds to today’s Budget

- **Renewable energy and clean tech sector can play a critical role in achieving the Chancellor’s growth targets.**
- **The REA has warmly welcomed ambitious announcements from HMG in the lead up to today’s Budget.**
- **However, the Budget could have gone further to unlock the sector’s full potential.**

The Association for Renewable Energy and Clean Technology (REA) has responded to Chancellor Rachel Reeves’ Budget, highlighting the critical role the renewable energy and clean tech sector can play in achieving the Chancellor’s goals for economic growth and a sustainable future. Key measures in the Budget, including funding for the Warm Homes Plan, GB Energy, and restating the 2030 phase-out target for internal combustion engines, while welcome, primarily reaffirm previous commitments. Nonetheless, the REA recognises the essential groundwork these policies establish and the ambition and boldness they reflect.

The Chancellor’s shift of the fiscal rules will unlock investment into green energy projects across multiple technologies, and marks a decisive departure away from the previous government’s approach to public infrastructure spending.

New announcements include the confirmation of a UK carbon border tax, intentions to increase funding for the Boiler Upgrade Scheme and continuation of company car tax incentives for electric vehicles (EVs) from 2028.

However, the decision not to increase fuel duty and the continued freeze of the Carbon Price Floor are short-sighted measures that undermine the Government’s ambition to decarbonise across multiple sectors. Maintaining the status quo on fuel duties will hinder progress toward the UK’s climate goals and the wider adoption of cleaner technologies.

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Trevor Hutchings, Chief Executive of the REA (Association for Renewable Energy and Clean Technology)

“We welcome the Chancellor’s Budget as a significant step forward, underpinned by ambition and a commitment to strengthen the UK’s green economy. The shift in fiscal rules to unlock investment signals a bold departure from previous approaches, opening pathways for new infrastructure and sustainable growth.

The confirmation of policies like the Carbon Border Adjustment Mechanism, the Warm Homes Plan, and GB Energy funding, along with continued support for electric vehicles and increased funding for the Boiler Upgrade Scheme, all represent positive leaps forward. Yet, there are missed opportunities to drive more ambitious outcomes, such as increasing the Fuel Duty rate and Carbon Floor Price, which could accelerate our transition to net zero.

The renewable energy and clean tech sector is a driver of sustainable growth, international competitiveness and prosperity. We stand ready to work with the Government to build on today’s announcements.”

Overview and Invest to Grow Approach

'**Invest to Grow' approach confirmed** as the Chancellor has changed the public borrowing rules to allow for increased capital investment within the parameters. Much of this could go towards net zero projects with the **National Wealth Fund confirmed as investing in clean energy** projects and GB Energy established from next year.

- **Increase in Employer National Insurance Contributions** (NICs) to 15% with a lower threshold that firms start paying NI on workers earning from £9,100 to £5,000.
- **Minimum wage for all employees over 21 to increase** to £12.21 per hour from 2025, a 6.7% increase; This will increase for apprentices too, from £6.40 to £7.55 per hour and for those aged 18 to 20 from £8.60 to £10.
- **Business Rates**: For 2025-26, **small business multiplier in England frozen at 49.9p**. The government has also published a **future 'roadmap' for the tax**, inviting feedback. Further details provided later in presentation.
- **Capital Gains Tax rates increased** from 10% to 18% for the lower rate and 20 to 24% for the higher rate, effective immediately.
- **Corporation Tax** capped at 25% with Full Expensing confirmed.

Transport

- **Increases to the differential for EVs in first year** rates in vehicle exercise duty from 2025.

- 100% **first-year allowances for zero-emission cars and electric vehicle charge-points extended** to 31 March 2026 for Corporation Tax and 5 April 2026 for Income Tax.

- **£200 million of new funding to accelerate chargepoint rollout**, including funding to support local authorities to install on-street chargepoints across England.

- Providing **£120 million in 2025-26 to support the purchase of new electric vans via the plug-in vehicle grant** and to support the manufacture of wheelchair accessible EVs.

- £2 billion for "the automotive sector to support gigafactories and EV rollout".

- Real time **cuts in DfT departmental budget to 2025/26, freezes or increases for DESNZ, and DEFRA**, though there is no word as yet on how this might impact the policies they deliver.

- Government will **extend the Advanced Fuels Fund** for a further year to benefit SAF projects.

Heat and Power

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- **GB Energy Funding** confirmed with £125 million and Headquarters in Aberdeen.
    - £100mn for capital funding in 2025/2026 for clean energy project development.
    - £25mn to establish GB Energy.

- Funding of **£3.4 Billion confirmed for the Warm Homes Scheme** for heat decarbonisation and energy efficiency from 2024/25 to 2026/27. This includes:
    - £1.8 billion to support fuel poverty schemes.
    - An **increase funding for the Boiler Upgrade Scheme (BUS)**.
    - Funding to grow the heat pump manufacturing supply chains in the UK to support the plan.

- Confirmed **£163 million to continue the Industrial Energy Transformation Fund** over 2025-26 to 2027-28.

- £1 billion over three years to fund the **Public Sector Decarbonisation Scheme.**

- References to already announced funding for **CCUS and Hydrogen (HAR1**).

- £2.7 billion of funding to continue Sizewell C's development through 2025-26.

Circular-Bioresources

- **Plastic Packaging Tax** - increase in Plastic Packaging Tax (PPT) rate for 2025-26 in line with CPI inflation and businesses will be permitted to use a mass balance approach to evidence recycled content.
- **Reaffirmed commitment to implement the Collection and Packaging Reforms** Programme - with Extended Producer Responsibility for packaging to bring in £1.1 billion in revenue per year for Local Authorities, and if revenue is not as expected this will be topped up from central Government.
- Reconfirming over £400 million of support for **tree planting and peatland restoration.**

Circular-Bioresources – Agriculture

- **Government to reform agricultural property relief and business property relief from April 2026**. In addition to existing nil-rate bands and exemptions, the 100% rate of relief will continue for the first £1 million of combined agricultural and business assets and will be 50% thereafter.

- **DEFRA secured a budget of £2.4 billion** for the next financial year. Includes £1.8 billion for ELMS.
  "This means we can maintain the momentum of our environmental land management (ELM) schemes, which will rise to the highest funding levels ever by 2025/26." – DEFRA Blog

- **Providing £5 billion over 2024-25 and 2025-26** to support the transition towards a more productive and environmentally sustainable agricultural sector in England. This includes £60 million this year for the Farming Recovery Fund.

- IHT relief also reduced for private shares, at **20% Capital Gains Tax (CGT) rate.**

Taxes, Levies and the wider Net Zero Economy

- **Carbon Border Adjustment Mechanism (CBAM) is confirmed from 2027** consultation response also published - confirms: "Products from the glass and ceramics sectors will not be in scope of the UK CBAM from 2027 as previously proposed. The registration threshold will be set at £50,000, retaining over 99% of imported emissions within the scope of the CBAM, while removing over 80% of otherwise registrable businesses."
- **Fuel Duty Frozen again,** despite speculation of being reintroduced.
- **Air Passenger Duty will rise** from next year by circa £2 for an economy short-haul flight.
- Climate Change Levy (CCL) will increase by RPI inflation rate to 2026/27.
- **Carbon Floor Price frozen again at £18/tonne to 2026/27.**
- **Energy Profits Levy** (the EPL, on Oil and Gas companies) will increase by 2% to 38%, EPL will remain and the government will consult in early 2025 on how the oil and gas tax regime should respond to price shocks once the EPL ends in 2030.
- **Previously adjusted Landfill Tax rates** confirmed as of 1 April 2025, with 2026 rates set out at next Budget.

Transforming Business Rates – HM Treasury

Open: Public dialogues on Reforming Business rates.

Scope of proposals:

- protecting the high street;
- encouraging investment; and
- creating a fairer system.

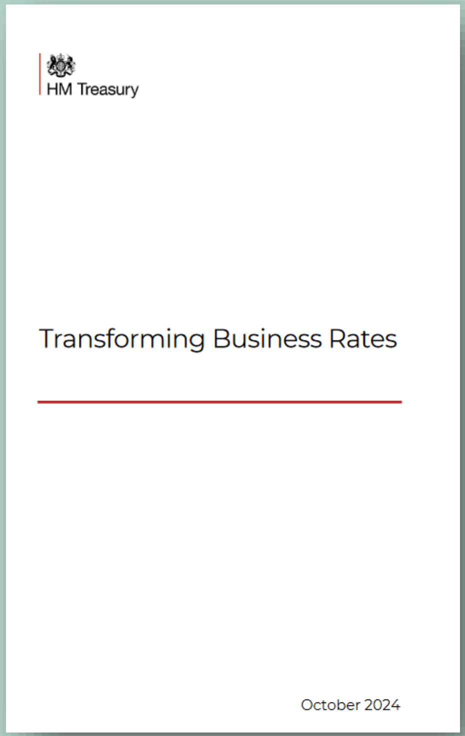
Government interested in hearing about efficacy of current reliefs (including for green plant and machinery) and impact of business rates on investment decisions.

Further Consultation expected on General Anti Avoidance Rule.

Other relevant considerations:

- Shortening the gap between the Antecedent Valuation Date and valuations coming into effect. (Currently 2 years)
- Increasing the frequency of revaluations (Currently three years).

Engagement expected to take place between November 24 and March 2025.


HM Treasury

Transforming Business Rates

October 2024

Presentation from James Dudbridge,

Director, Forrest Brown

R&D Tax Credits

REA 2025 and Working with Government

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- REA are starting business planning for 2025 for each Forum, building on Policy Strategy discussions
- Multiple Working Groups planned
- Policy leadership and engagement
- Public Affairs thought leadership and APPG programmes
- Full range of events and Conferences
- International opportunities

Please contact us with any questions or comments

REA- Upcoming Events

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HACCP Training

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