

BUDGET 2024: ENERGY AND NET ZERO

Briefing note



On Wednesday October 30th 2024, the Chancellor delivered the [Annual Budget](#) – setting out the government’s plans for the economy.

The statement contained a number of measures relating to energy security and Net Zero, which are set out below.

Key headlines

- Departmental spending for the Department of Energy Security and Net Zero is increasing by 22% -the largest increase of any government department.
- A Clean Power 2030 Action Plan will be published by the end of the 2024.
- £125m of funding has been made available for the establishment of Great British Energy and for investment in it’s first projects.

Departmental funding and taxation

The Department for Energy Security and Net Zero will see a 22% increase in total expenditure limit spending, rising from £6.4bn in 2023-24 to £9bn in 2024-25 and £10.3bn in 2025-26.

This is the largest departmental increase in spending in the Budget.

The capital budget for the department will also increase, rising by 10.1% over the same period, from £5.1bn in 2023-24 to £8.4bn by 2025-26.

The Budget confirmed changes to the fiscal rules to allow additional borrowing to finance investment in infrastructure – including energy infrastructure.

The [Energy Profits Levy](#) on the oil gas and coal industry on the oil, gas and coal industry will rise to 38% and be extended to March 2030. The 100% first year allowance and decarbonisation allowance will remain. Two consultations were announced for early 2025, a Scope 3 emissions from oil and gas consultation and the [taxation of offshore oil and gas after 2030](#).

The Government has confirmed that a [UK Carbon Border Adjustment Mechanism](#), a tariff on the import of carbon intensive products designed to mitigate against carbon leakage will be introduced on January 1st 2027. The glass and ceramic sectors will no longer be in scope and the registration threshold will now be set at £50,000.

The [Carbon Price Support](#) rates in Great Britain – a levy on the use of fossil fuels in energy generation - will be maintained at a level equivalent to £18 per tonne of CO2 in 2026-27.

Great British Energy

The Budget announced £125m funding in 2025-26 for [Great British Energy](#), the planned publicly-owned energy company, made up of:

- £100m in capital funding for 2025-26 for clean energy project development
- £25m to establish the organisation.

The Budget documents confirmed that a Clean Power 2030 Action Plan will be published by the end of 2024.

The government is working with the new National Energy System Operator (NESO) and Ofgem to develop a robust grid connection process, to ensure viable projects are connected in a timely manner.

Homes and buildings

The [Public Sector Decarbonisation Scheme](#) will continue to decarbonise the public estate with over £1bn of funding over three years.

The budget has committed an initial £3.4bn towards heat decarbonisation and household energy efficiency over the next three years. This includes £1.8bn to support fuel poverty schemes aimed at helping over 225,000 households reduce their energy bills by over £200.

The Government has committed to increase funding for the Boiler Upgrade Scheme in England and Wales this year and next and has confirmed it will grow the heat pump manufacturing supply chains in the UK to support the scheme.

The Budget also allocates £70m in 2025-26 to support nature-friendly housing developments. This includes £14 million for the Nature Restoration Fund to mitigate the environmental impact of developments.

Industrial decarbonisation

The Budget confirmed £3.9bn of funding in 2025-26 for Carbon Capture, Usage and Storage Track-1 projects (including in Tees Valley) to decarbonise industry and support flexible power generation. The announcement follows on from the £21.7bn funding over 25 years, announced earlier this month.

Budget documents also confirm £3.7bn capital departmental spending limits for expected on-balance sheet spend for hydrogen and CCS in 2025-2026, an increase from £1.4 billion in 2024-25.

The Government also announced it will provide support for electrolytic hydrogen production contracts under the Hydrogen Business Model.

The Budget also outlines a Decommissioning Fund for oil and gas assets transferred for use in CCUS.

Transport

The government has committed to phasing out new cars that rely solely on internal combustion engines by 2030 and stated that from 2035 all new cars and vans sold in the UK will be zero emission.

These changes will be supported by:

- £200m funding in 2025-26 to accelerate EV charge point rollout

- £120m funding 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.
- Continuing tax incentives to purchase electric cars through Vehicle Excise Duty First Year Rates and the Company Car Tax regimes.
- Extending the 100% First Year Allowances for electric cars and charge points for a further year.

To support the development and production of innovative advanced fuels to decarbonize aviation, the government will also extend the Advanced Fuels Fund for a further year.

Environment and flooding

£5bn will be available over two years to support the transition towards a more productive and environmentally sustainable agricultural sector. £400m will also be available to support for tree planting and peatland restoration.

The Government will invest £2.4bn over two years in flood resilience to support the building of new flood defences alongside the maintenance of existing assets.

Waste

The Budget reaffirmed the government's commitment to moving towards a "zero-waste economy" and implementation of the [Collection and Packaging Reforms Programme](#) .

There will also be an adjustment to Landfill Tax rates from April 1st 2025 in order to incentivise sustainable waste management – more information will be published in due course.

Industrial Strategy

The government previously announced that a national Industrial Strategy will be published in early 2025, with "making the UK a clean energy superpower" a growth-driving sector within it.

The Budget confirmed Government's support for growth-driving sectors ahead of the strategy's publication, and confirmed funding for:

- R&D funding in the aerospace sector (£975m over five years).
- R&D and capital funding for automotive sector, including the zero emissions vehicle manufacturing sector and supply chain (£2bn over five years)

Trade Strategy

The Budget commits the government to publishing a Trade Strategy in 2025.

This strategy will *"renew the UK's commitment to free and open trade, support the Government's Industrial Strategy and net zero ambitions, and enhance economic security"*.