

# Energy Changes Over the Next 2 Years

September 2024



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# About Ameresco

Ameresco (NYSE:AMRC) is a leading comprehensive cleantech integrator and renewable energy asset developer, owner and operator.

Founded in 2000 | Public in 2010

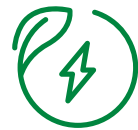


## Comprehensive Portfolio

Objective approach and in-house technical expertise delivers the most advanced technologies to meet the unique needs of each customer. Addressing cost savings, infrastructure upgrades, resiliency decarbonization, and more as a full-service, long-term energy partner.

## Customer Driven

Federal Government, Public Sector, Utilities, K-12 Schools, Higher Education, Healthcare, Commercial & Industrial, Public & Community Housing, Transportation. Market reputation across North America and Europe for excellence in customer satisfaction.



**\$14+ Billion** in energy solutions delivered since company inception



**4+ GWe** of renewable energy resources contracted or managed (solar, BESS, wind, biogas, RNG, operations & maintenance, etc.)



**1,500+ Employees** throughout North America and Europe



**60+ Offices** providing local expertise in markets served



Embracing **innovation** through tailored projects aligned to customers goals



Committed to reduce our customers' carbon footprints by a cumulative **500 million metric tons by 2050**



# Ameresco's Advanced Technology Portfolio



Full-Service  
Energy Partner

## Demand & Conservation

- Energy Efficiency
- Building Envelope
- Heating, Ventilation, Air Conditioning (HVAC) & Indoor Air Quality
- Interior LED Lighting
- LED Street & Area Lighting
- Water Management & Efficiency

## Distributed, Renewable Supply

- Biomass, Biogas, Landfill Gas to Energy & Renewable Natural Gas (RNG)
- Cogeneration / Combined Heat & Power (CHP)
- Geothermal
- Solar (On-Grid & Off-Grid)
- Wind

## Infrastructure

- Advanced Metering Infrastructure (AMI)
- Battery Energy Storage Systems (BESS)
- EV Charging Infrastructure
- Mechanical, Electrical & Plumbing
- Microgrids
- Smart Building Automation, Controls & Master System Integration
- Utility Distribution System

## Software & Services

- AssetPlanner® Sustainability Advisory & Software Platform
- Energy Supply Management
- Measurement & Verification
- Solar, BESS, Facilities, Plant Operations & Maintenance (O&M)
- VisionDSM™ Utility Program Management & Consulting



# Agenda

- New Government Policy and the Impact on End Customers
  - Key Players
  - Great British Energy
  - Upcoming Legislation
  - Market Reforms & Renewables Investments
  - Key Points to Note for Businesses
- New Upcoming Levies
  - Breakdown of Business Electricity and Gas Prices
  - Upcoming Levies
- Energy Savings Opportunity Scheme (ESOS)
  - The Road So Far
  - What's Next for ESOS?
  - Top 5 Lessons Learned from Phase 3
- Climate Change Agreements

# New Government Policy and the Impact on End Customers



# Department of Energy Security & Net Zero

## Key Figures

### Ed Miliband

- Secretary of State for Energy & Climate Change 2008-10
- Shadow Secretary of State for Energy & Net-Zero 2021-24

### Lord Hunt of Kings Heath

- Known to Ed Miliband
- Minister for Energy & Climate Change 2008-10
- Responsible for nuclear, individual planning decision and departmental business in the House of Lords

### Michael Shanks

- Responsible for flagship Great British Energy, renewables & biomass
- Overseeing energy market reform
- Looking into Energy Systems review

### Miatta Fahnbulleh

- Was advisor for Ed Miliband on Energy Policy
- Public sector decarbonisation



ED MILIBAND – SECRETARY  
OF STATE FOR ENERGY  
SECURITY AND NET ZERO



LORD HUNT OF KINGS HEATH  
– MINISTER OF ENERGY  
SECURITY AND NET ZERO



SARAH JONES – MINISTER  
FOR INDUSTRY



MICHAEL SHANKS –  
MINISTER FOR ENERGY



KERRY MCCARTHY –  
MINISTER FOR CLIMATE



MIATTA FAHNBULLEH –  
MINISTER FOR ENERGY  
CONSUMERS

# Establishment of Great British Energy

## What we know so far:

- Publicly owned national energy company.
- Will lead investments in renewable energy projects to accelerate transition to renewable energy
- Will not provide commercial energy supply contracts.
- May potentially lower long-term energy costs for businesses.
- However, in the short term, potential disruptions or changes in energy pricing as the market adjusts to new sources and the ongoing upgrades to the national grid.



**Juergen Meier**  
Chair of GBE

### **Juergen Meier – Chair of GBE**

- Former CEO of Siemens
- Vice-Chair of the Northern Powerhouse Partnership
- Non-executive member at the Department for Business, Innovation & Skills (2014-16)
- Led Labour's review on rail and transport infrastructure

### **GBE and Partnership with the Crown Estate**

- Large portfolio of property and land, including the majority of the UK's seabed provides opportunities for renewable generation sources.
- The Crown Estate estimates this partnership will lead to up to 20-30GW of new offshore wind developments.

# Upcoming Energy Legislation

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The forthcoming legislations will introduce regulations with the aim to speed up the adoption of clean energy technologies for businesses.

## Great British Energy Bill

Aims to achieve net-zero emissions by 2050 and enhance the UK's energy security.

Key points include:

**National Energy Independence:** Establishing Great British Nuclear to boost nuclear power.

**Renewable Expansion & Green Technologies:** Scaling up wind, solar, and tidal energy. Alongside Advancing green hydrogen and carbon capture.

**Market Reform:** Making the energy market more resilient and consumer-friendly.

**Consumer Protection:** Shielding consumers from energy price hikes.

## Planning and Infrastructure Bill

Aims to streamline and modernize the UK's planning system to support economic growth and development.

Key elements include:

**Faster Planning Approvals:** Simplifying and speeding up the approval process for infrastructure projects, particularly housing and transport.

**Infrastructure Investment:** Encouraging investment in critical infrastructure, including transport, energy, and digital networks.

**Environmental Protections:** Balancing development with environmental sustainability, ensuring that projects meet green standards.



# Market Reforms & Renewables Investments



## Market Reform

- Enhance consumer protection.
- Smart meter roll out to accelerate. Proposed that DNO take over responsibility of smart meter installation.
- Against nationalisation of energy sector however increased regulation proposed.
- Reduce standing charge costs.

## Renewables Investments

- Increase in the budget for this year's renewable energy auction (CfD) to over £1.5 billion, with a significant portion dedicated to offshore wind.
- Removing the ban on onshore wind power to streamline the approval process for renewable energy projects.
- Withdrawal from defending the new coalmine in Cumbria.
- Mass approvals of several large-scale solar farms, with a total capacity indicatively exceeding 1,300 megawatts.



# Key Points to Note for Businesses

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## Non-Energy Costs

- UK industries are becoming increasingly uncompetitive due to rising non-energy costs. Upcoming proposals, like the CfD Levy, may widen this gap further.
- It is crucial to consider the implications of Rachel Reeves' comment, "There is no money left,". Her budget is due to be outlined on **30th October**, where we'll gain insights into future government plans regarding levies.
- Potential changes for small business support:
  - Addressing late payments
  - Revitalizing high streets
  - Reforming business rate

## Long-term outlook

- Increased renewable energy generation could lower costs, but **short-term volatility** is expected throughout transition.
- Budgeting for potential energy price changes will be essential for stability.

## Regulatory Compliance

- The governments push toward cleaner energy may lead to new regulations, particularly for businesses with high carbon footprints.

# New Upcoming Levies



# Overview of Electricity Prices

## Wholesale Electricity

- The current market value of electricity

## Network Charges

- Costs for maintenance to the grid and the delivery of electricity

## Green Taxes

- Costs to support renewable generation

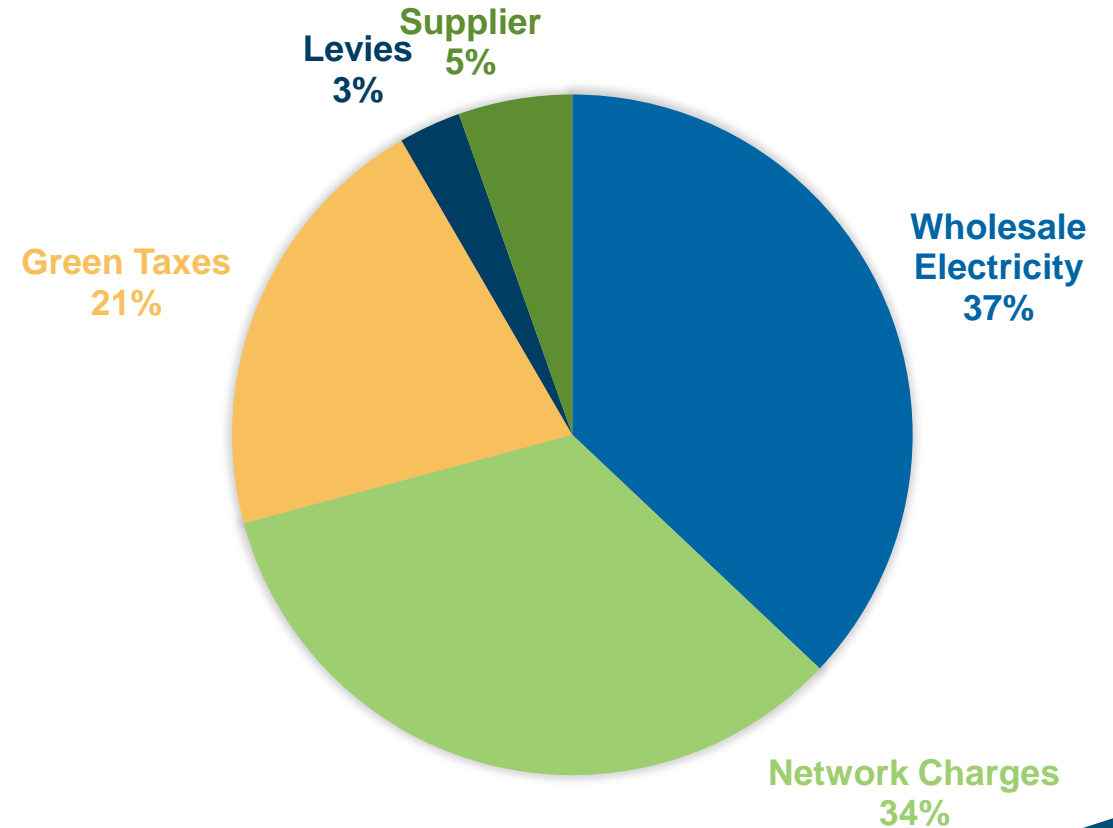
## Levies

- Taxes imposed by the government

## Supplier Costs

- Costs to the supplier for the delivery of service

## AVERAGE ELECTRICITY PRICE BREAKDOWN



# Overview of Gas Prices

## Wholesale Electricity

- The current market value of electricity

## Network Charges

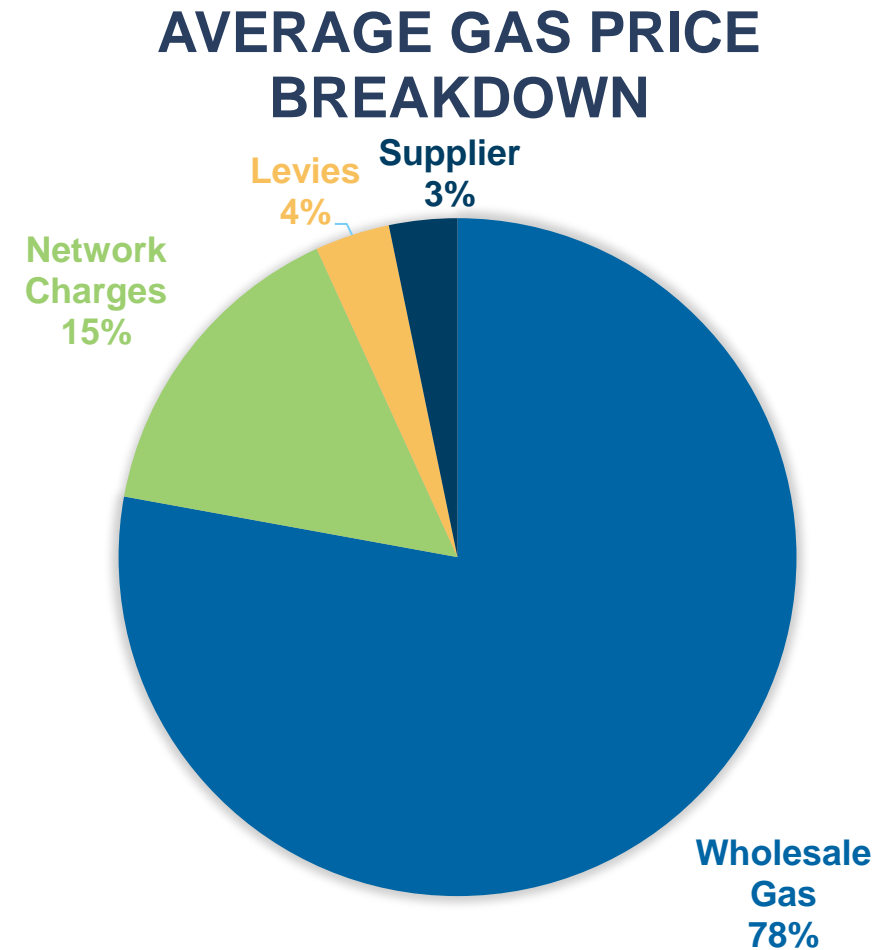
- Costs for maintenance to the grid and the delivery of electricity

## Levies

- Taxes imposed by the government

## Supplier Costs

- Costs to the supplier for the delivery of service



# Upcoming Levies (Part 1)



## Energy Intensive Industry (EII) Exemption and Network Compensation Scheme - EII Support Levy

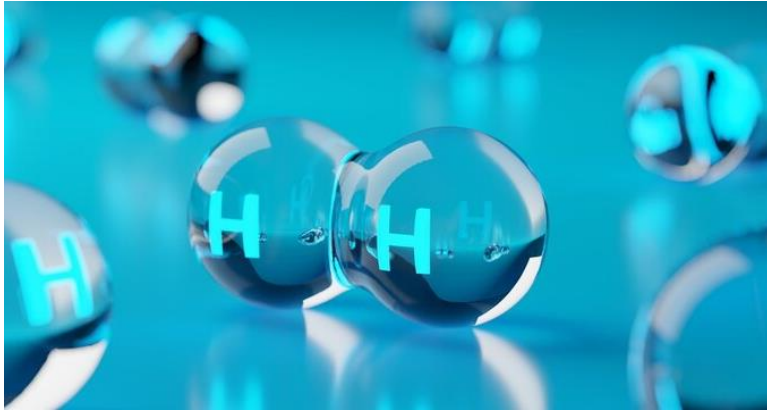
- Subsidy to provide support energy intensive industries.
- Energy Bill: Electricity
- Likelihood: Confirmed
- Due: 1<sup>st</sup> April 2025
- Value: ~0.10 p/kWh

## Nuclear Regulated Asset Base (RAB)

- Funding for the nuclear industry in the UK
- Energy Bill: Electricity
- Likelihood: Likely
- Due: Unknown – est. 1<sup>st</sup> April 2025
- Value: <~0.05 p/kWh for first few years, gradually increasing.



# Upcoming Levies (Part 2)

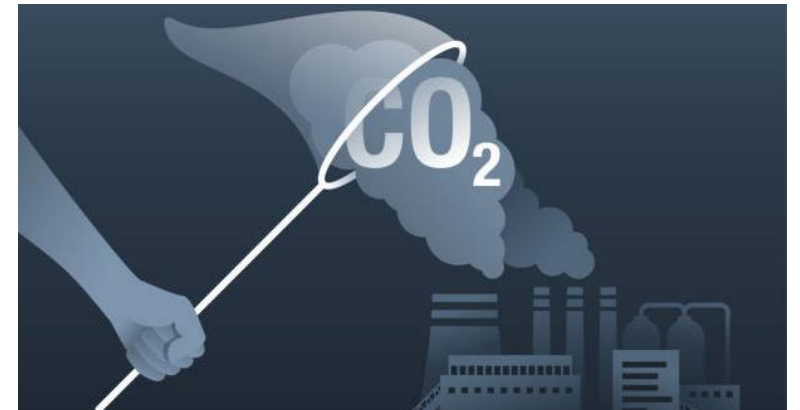


## Hydrogen Levy

- Designed to support development of hydrogen in the UK
- Energy Bill: Gas
- Likelihood: Very likely
- Due: 31<sup>st</sup> December 2026
- Value: TBC

## Carbon Capture Subsidy

- Support Carbon Capture Usage and Storage projects to reduce CO<sub>2</sub> emissions
- Energy Bill: Electricity/Gas
- Likelihood: Likely
- Due: Est. between 2027-2029
- Value: TBC



# Key Points for Food & Drink Businesses

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## **Energy Intensive Industry (EII) Exemption and Network Compensation Scheme - EII Support Levy**

- Lack of support for the sector currently under the existing guidance.
- Ameresco is lobbying with the government to extend to this sector as a crucial aspect for the UK economy.

## **Potential Proposed Shift of Green Taxes Out of Electricity to Gas Charges**

- Proposal to move green taxes out of electricity prices and move them to Gas to increase the cost of gas to increase incentive to decarbonisation.

## **Cost Avoidance Measures**

- Ameresco has supported numerous clients in entering cost avoiding schemes that have been created, totalling over £70m to date with an additional £49m forecast to be achieved on top of this in 2025. Representing 11% of all entities across schemes.



# Energy Savings Opportunities Scheme





# The Road So Far

## **2014 Introduction**

ESOS was introduced where large companies were required by the Environment Agency to audit select sites, identifying energy-saving measures.

## **Initial Challenges**

The audits, intended to be repeated every 4 years, were largely treated by companies as compliance exercises, rather than opportunities to drive energy efficiency.

## **Key Changes in the 3rd Round**

On the acknowledgement of this, the Environment Agency revised the scheme, introducing new procedures and stricter requirements for qualifying companies to improve energy-saving outcomes.

# What's Next for ESOS?



## Ongoing Reporting

- Businesses will be expected to continue reporting from now until the next Phase 4 audits.
- Some of this information from the reports will be publicly available.
- Even if you choose not to report on anything, this will be publicly announced.

# Top 5 Lessons Learned from Phase 3

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1

## **Early Preparation is Key**

Many businesses sought support close to the deadline. Luckily due to Environment Agency extensions, we could still assist, but early planning is essential to avoid last-minute stress.

2

## **Guidance is Continuously Changing**

New requirements were introduced even months before deadlines, leading to completed audits becoming non-compliant. This emphasises the need to stay informed on regulatory changes.

3

## **Accurate Data is Imperative**

Phase 3 introduced several new metrics, making it vital for businesses to maintain up-to-date energy and operational data. Any data gaps can cause delays and impact compliance.

4

## **Phase 4 is Already Underway**

With the expanded compliance requirements, we've started early preparations for Phase 4. This ensures businesses are equipped to meet expectations and manage data effectively.

5

## **ESOS Can Be a Large Expense**

Many businesses were unprepared for the financial implications of compliance. Early budgeting is critical to avoid unexpected expenses and ensure a smooth process.

# Climate Change Agreements (CCA)



# What is Happening to CCAs?

## Summary of Scheme

The Climate Change Agreement (CCA) is a voluntary arrangement between a business, their industry federation and the environment agency with the aim of reducing energy use and CO2 emissions in exchange to a discount to a levy present on gas and electricity invoices.

## Key Points

- Existing scheme closes March 2027
- New scheme under consultation with proposed period of Apr 2027 to Mar 2033
- Expectation is during 2025, a whole new application required to participate in the new scheme.
- New buildings/premises current cannot be added to existing scheme. Ameresco has raised this issue during consultation.
- Sectors already in the scheme will continue, there may be an opportunity to submit new sectors to join (currently, sectors are eligible if either their energy costs):
  - amount to at least 10% of their production value (i.e.  $EI \geq 10\%$ ); or
  - amount to 3% or more but less than 10% of their production value so long as there is an import penetration ratio of at least 50% (i.e.  $3\% \leq EI < 10\%$  and  $IP \geq 50\%$ .)

# Thank You

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# Q&A

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There will now be time for anyone to raise any questions they may have.