



Mr Chris Skidmore MP
Minister of State
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London, SW1H 0ET

Tuesday, 02 July 2019

Dear Mr Skidmore,

SSE recently welcomed the Government's commitment to net zero by 2050 as an important step in the global fight against climate change. SSE stands ready to work with Government to deliver this target, by investing in developing, constructing and operating the energy infrastructure which will facilitate the decarbonisation of the UK economy.

The net zero commitment is a positive development, but none of us should underestimate the scale of the challenge that it poses. Such an ambitious goal will require equally ambitious action from Government and industry, and we should take this opportunity to revisit previously held assumptions about the future of our energy system to see if they still apply in the net zero world.

Clearly one area to consider is the scale of renewable power which will be required to reduce carbon emissions across the economy, particularly as we electrify the heat and transport sectors to deliver net zero. Offshore wind will play a crucial role in providing affordable low carbon power and the Committee on Climate Change (CCC) has suggested 75GW of offshore generation may be required by 2050, compared to 8GW today and 30GW targeted by the Government's sector deal for 2030. Increasing offshore capacity in line with the CCC advice is challenging but achievable.

The foundations have been laid with the regular low carbon contract auctions (CfDs) planned and expected in the coming years. However, the Government will need to raise its ambition for the level of offshore wind to be delivered through these auctions in the context of a net zero target. Fortunately, there is a straightforward and cost neutral intervention Government can take in the short term to do this.

This year's CfD auction includes, for the first time, a capacity cap of 6GW, restricting the amount of low carbon capacity that can be delivered. By increasing this 6GW cap the Government can take a significant first step towards net zero, by demonstrating increased ambition for renewable energy. This move would also reflect the fact that eligible capacity for the auction has increased since the budget was allocated, meaning that the auction round will be more competitive than

originally anticipated. The Secretary of State is able to change the parameters of the auction in this way at any time before it commences via a revised budget notice.

Increasing the 6GW cap provides Government with an opportunity to show that it is serious about net zero and positioning the UK as a world leader in both the offshore wind sector and the fight against climate change. It can do this in a way which is quick, simple and cost neutral for consumers.

As you may be aware SSE has previously raised this issue with your Department, who took the understandable view that a cap at 6GW is required to provide competitive tension. However, as I am sure you will agree the net zero commitment does significantly change the context in which the 2019 CfD auction will take place, and an increase in the level of the capacity cap constitutes a rational and proportionate step for the Government to take to back up its 2050 commitment with effective action.

Kind regards,

A handwritten signature in blue ink, reading 'Alistair Phillips-Davies'.

Alistair Phillips-Davies, SSE