Electricity generator levy – less like a windfall tax, more like a super-tax

As more details of the new electricity generator levy (EGL) are released it is becoming apparent that the levy, which will run to 2028, is designed less as a temporary windfall tax and more like a super-tax to provide revenue for the Treasury. As such, it will deter investment in the renewable and low carbon technologies needed to meet the UK's net zero targets.

To act as a targeted tax on windfall profits, the EGL should not apply to projects commissioned after 1 January 2023 and the timeframe should be reduced to a maximum duration of 18 months.

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Summary

It is not unreasonable for governments to seek to tax exceptional profits that have been made by energy companies during a time of war and acute economic crisis, especially when energy consumers are facing such hardship. The war in Ukraine, and the exceptionally high gas and electricity prices which it has exacerbated, certainly falls into this category. Looking to the future however, it will be increasingly difficult to isolate the element of higher electricity prices that is truly exceptional, from a 'new normal' price that has been driven higher by changes in energy demand, increasing commodity costs, a growing reliance on LNG, the rising cost of capital, and other market drivers.

It is true that many renewable energy, nuclear and other electricity generators have made higher profits during the energy crisis period than would have been predicted. How much exceptional revenue has been made by generators, as opposed to those market participants who trade electricity, is less clear, given that many generators will have sold energy on forward and fixed term prices. A well designed and targeted windfall tax could untangle this question.

Given the imperative to secure billions of pounds of investment in renewable and other low carbon energy technologies to deliver the UK's net zero and energy security strategy, and the increased competition for that investment capital from the US, EU and Asia, it is essential that any UK windfall tax is designed to minimise the impact on future investment.

All taxes will impact on investment decisions to a greater or lesser degree, hence governments are reluctant to impose them. A windfall tax which is clearly defined and targeted, is temporary, is not arbitrary and is for the sole purpose of recouping exceptional profits will have a lesser impact on future investment. This is especially true if the tax is developed with industry consultation and is aligned with taxes imposed in other markets.

The design of the proposed UK electricity generator levy (EGL) has a number of positive features: the 45% levy is a revenue share rather than an absolute cap, the 50GWh threshold removes a lot of smaller generators from the tax and the £10m allowance provides some degree of cushioning for those that are included. The proposal to apply the tax on actual annual revenue is also preferrable to a tax based on an estimate of revenue derived from market prices. Welcome exceptions have been made for energy storage, private wire schemes and non-wholesale revenues. The EGL does not apply to holders of a Contract for Difference (CfD).

However, there are aspects of the EGL that will negatively impact investment, increase the UK's dependency on imported gas – leading to higher consumer bills – and could even jeopardise our net zero strategy:

1. **The term of the tax out to April 2028** (over five years) goes beyond the period of energy crisis and takes the tax from a windfall tax to a corporation super-tax. Despite what the draft legislation claims, this changes the objective of the tax to produce revenue for the Treasury rather than simply to recover exceptional profits.

2. **The application of the windfall tax even to projects built after 1 January 2023** is a direct deterrent for new projects to invest based on market price risk, and will increase the dependency on the CfD scheme. Pending what is announced regarding budget allowances for future CfD allocation rounds, there is a significant risk that investment in low carbon technologies will not be sufficient to deliver the UK's net zero strategy.

3. **The historic price benchmark of £75 per MWh is low** and does not represent a forward view of the threshold level of 'exceptional' revenue. Most analysts would agree that, putting aside the war in Ukraine, underlying electricity prices had already risen and were expected to rise further for a number of market-based reasons. Moreover, inflationary pressure, and especially the rise in the cost of capital, points to the need for higher energy price for investments to be viable (and perhaps even to maintain existing generation capacity).

4. **There is no provision within the EGL to encourage investment,** e.g., through capital allowances, as there is with the equivalent windfall tax on oil and gas revenues.

5. **The EGL has not yet been linked to any commitment to increase budget allowances for the CfD,** which would help to counteract the negative impact of the tax.

Added to these points, the lack of formal consultation and absence of a full risk assessment before publication of the draft legislation implies a degree of indifference towards the industry, and achieving net zero, which will have been noted by investors.

Regen's recommendations

1. Reduce the term of the EGL to 18 months, running until June 2024.
2. Exclude new projects commissioned after 1 January 2023.
3. Reconsider the £75 MWh figure to determine if it truly represents the threshold of exceptional revenue and is set at a level that will support future investment.
4. Exclude all Community Interest Companies, Co-operatives, Associations and other legal entities whose main purpose is to use generation profits to provide community benefits.
5. Include capital tax allowances to encourage investment in low carbon technologies.
6. Link the EGL to a commitment to increase budget allowances for future CfD allocation rounds that are sufficient to deliver higher levels of renewable energy deployment consistent with achieving the UK net zero strategy and the decarbonisation of power by 2035.
7. Continue to pursue an extension of CfD contracts to new and existing generators as a better long-term deal between consumers and generators to provide lower-cost energy in exchange for greater revenue certainty.

The UK Electricity Generator Levy

More details of the **draft legislation** and an **explanatory note** for the electricity generator levy (EGL) were released on 20 December 2022.

Context

The EGL has been proposed by the UK government as a windfall levy on **'exceptional revenue receipts'** for renewable, nuclear and biomass generators. The fiscal logic behind the EGL is that these generators, whose costs have not been directly impacted by the recent rise in gas prices have, and continue, to make significant unexpected profits owing to the phenomenal rise in electricity wholesale prices since, caused by Putin's 'weaponisation of gas supplies'.

The basic terms of the EGL are set out in Table 1:

Table 1 UK Energy Generator Levy – basic proposals

EGL element	Proposed design	Notes
Term of the EGL	1 January 2023 to 31 March 2028	Far longer than the EU equivalent
Technologies in scope	Renewable generation (mainly wind and solar), biomass, energy from waste (EfW) and nuclear	EfW has been added Does not include energy storage – although the treatment of behind the meter storage requires greater clarity
Threshold of generation in scope	Generators* producing over 50 GWh per annum This has been reduced from the previous proposed level of 100 GWh	*Generation capacity held within the same company or company group Roughly equivalent to just under 20 MW of onshore wind and 40-50 MW of solar PV
Exceptions	• Generators with a Contract for Difference • Feed-in-tariff generators • Private wire and behind the meter consumption (although the definition of 'distribution system' needs to be clarified) • Non-commodity revenues e.g., ROCs, REGOs, capacity market payments and balancing services	CfD holders already have a revenue limit via the negative payment of CfD price differentials Exclusion of REGO, ROCs and balancing services revenues is positive
Allowance – revenue allowed pre levy	£10 million (not index linked)	Roughly, equivalent to the revenue expected for 50 GWh of generation
Wholesale price benchmark threshold above which exceptional revenues are defined	£75 per MWh for 2023 and 2024 For subsequent years this benchmark will be indexed to the CPI	The £75 benchmark is much lower than expected and is arguably lower that what might have been a reasonable expectation of forward markets before the current energy crisis
Levy rate	45% on exceptional revenue receipts above the benchmark	
Basis of revenue calculation	Actual generation revenue	As submitted by company/group corporation tax return The definition of group company, minority shareholders, partnerships and other legal structures is an area of complexity
Allowable costs	• Exceptional generation fuel costs (i.e., biomass) • Exceptional revenue sharing costs • Some hedging electricity purchase costs	
Capital investment allowances	None	This is very different to the treatment of oil and gas windfall profits which have generous allowances for investment

Comparison with the EU revenue cap

The UK EGL differs significantly from the equivalent European revenue cap for power producers. However, it should be noted that the EU council guidelines are just that: a set of guidelines which must now be implemented by member states, whose terms could vary significantly.

A brief summary of the EU revenue cap scheme is shown in Table 2 using Germany as an example of a member state that has gone a lot further than the EU guidelines[1].

Table 2 EU revenue cap guidelines and example of member state Germany

Revenue cap element	EU guidelines	Germany	Notes
Term of policy	1 December 2022 to 30 June 2023	1 December 2022 to 30 June 2023	
Scope	All non-gas generation above 1 MW capacity	Non-gas generation above 1 MW capacity	
Wholesale price threshold	€180 (£160) per MWh	Technology-specific cap based on a reference cost and a 'security surcharge' Expected to be around €130 (£126) per MWh for renewable energy	EU threhsold is significantly higher than UK Member states, like Germany, are developing their own price formulae: another area of uncertainty
Levy/cap tax rate	100%	90%	Note the EU policy is a cap rather than a levy, with member states having some leeway to reduce
Basis of revenue calculation	Based on half-hourly day ahead wholesale clearing prices	Revenue estimate based on day ahead prices and actual generation	It is not clear how member states will apply this, or over what timeframe

1 For more information, **Frontier Economics** has produced a very good summary webinar comparing different member state models.

Which model is better?

The two tax models are very different and so difficult to compare. The UK EGL model is a 45% levy based on actual exceptional revenue receipts above a relatively low threshold, submitted as part of a corporation tax return. The EU model is a near absolute revenue cap designed to recover all, or nearly all, revenue above a higher revenue limit.

It is a feature of both the UK EGL and the EU revenue cap that they are a tax solely on generator revenue, not on super-profits per se, that may have been made elsewhere in the electricity market by traders and others who may have benefited from higher energy prices.

In several respects, the UK revenue levy model is more nuanced than the EU revenue cap:

1. The UK 45% levy on exceptional revenue creates less of a cliff edge and should be less distorting than the EU 90-100% excess revenue cap.
2. The UK benchmark price, at £75 per MWh, is a lot lower than the EU equivalents, and is arguably lower than what might have been a reasonable forward market expectation before the energy crisis. While this means the EGL will hit even moderate levels of additional revenue, the UK also provides for a £10m allowance. There is still some uncertainty about how individual EU member states will calculate their revenue limits.
3. The UK EGL is based on actual revenue receipts, submitted as part of a corporation tax return, rather than a calculation based on day ahead prices. This may be seen as posing less risk and distortion.
4. The UK generation threshold at 50 GWh will exclude most small generators and significantly reduce the administrative burden of the scheme. The EU guideline scheme starts at 1 MW capacity.
5. The UK EGL has not been backdated to the start of the energy crisis but is forward looking to 2028. Whether this is a positive or a negative is open to debate, as will be discussed further below.

The biggest difference, and the biggest source of investment impact, is that the UK EGL will apply out to end of March 2028. It is less like a windfall tax on profits that have been made since the start of the energy crisis, and much more like a **super-tax** on future revenues.

As it is currently designed, the EGL would also apply to new generation projects that have not yet been commissioned. This is a key point of contention which could leave the government open to the challenge that the EGL will directly inhibit net zero investment.

Why the UK has opted for such a different approach is not clear. Throughout 2022 Conservative politicians opposed the idea of a windfall tax, which was proposed by Labour – perhaps this is a hangover from that party political argument. Policy makers may also have felt that a retrospective tax would be more damaging in terms of increasing investors' perception of policy risk, especially having said they would not introduce a windfall tax and having left it so long to come up with a scheme proposal.

UK policy may also be the result of practical factors within the UK energy market, where greater volumes of energy is sold on forward markets and via bilateral trades and long term PPAs, rather than through day ahead clearing markets. Hence a straightforward tax on declared revenue would be easier and fairer to implement rather than trying to second-guess market prices and estimate revenue as the EU proposes to do.

There is also a strong suspicion that the design and duration of the UK EGL has, in part, been driven by the Treasury's need to secure revenue to offset the cost of providing the consumer price guarantee. When the policy was announced the tax take for the Treasury was estimated at £14.3 billion. While it is understandable that government should seek to offset the cost of providing consumers with a price guarantee, this does begin to blur the purpose of the EGL. Whether this amount is likely to be collected is discussed later.

Impacts on investment

It is surprising for UK policy makers to claim that the EGL will not impact investment in low carbon technologies, or add any additional risk to meeting the UK's net zero decarbonisation targets. Even a well-designed windfall tax will have an impact on investment which is why, as a general rule, governments try to avoid them. The particular design of the EGL, running to 2028 and including new projects, poses a clear additional investment risk.

The government says that it is talking with industry but, so far, the legislation has not been open to formal and inclusive consultation and no assessment of the investment risks has been published. It is not clear what form of consultation or impact assessment the government intends to make.

The BEIS website states that:

> *This measure is expected to have only a limited impact on whole economy investment that the Office for Budget Responsibility judged to be to be offset by other measures since the Spring Statement 2022.*

> *While low carbon electricity generation is subject to the levy, the impact on generators incentive to generate and invest in clean energy has been mitigated by setting the benchmark price at level which is high by historic standards and allowing them to retain a significant proportion of their extraordinary return.*

Both statements are open to challenge.

In order to meet its net zero and energy security strategy, the UK needs to attract billions of pounds of investment in new low carbon generation[2]. The current decade should be a time of massive investment uplift, particularly in offshore and onshore wind, solar PV and storage.

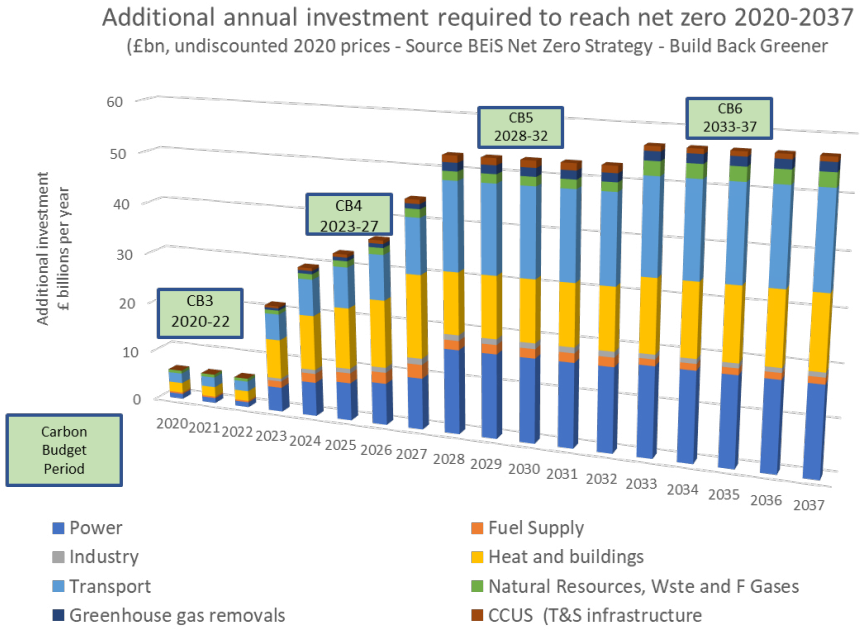

Figure 1: Treasury estimate of investment needed to deliver the Net Zero Strategy.
Source: BEIS Net Zero Strategy 2021 workbook

2 According to estimates from the Treasury, delivering the UK Net Zero Energy Strategy will require £210 billion of investment in the power sector from 2020 to 2035. Source: **BEIS Net Zero Strategy 2021 Supporting workbook**.

To achieve this the UK must compete with other countries, including the USA with the introduction of **the Inflation Reduction Act**, Asia, and Europe, who are now fighting for project development and investment capital, and the available supply chain capacity to deliver projects. If the EGL was taken in isolation its impact would be less, but considering recent political and economic turmoil in the UK, and the fierce international competition, the effect on the investment attractiveness of the UK will be greater.

The fact the EGL will also apply to projects commissioned after 1 January 2023 means that there is not only an impact on investor sentiment and risk perceptions, but also a direct financial impact for new investment. Investors may question why the UK is taxing new generation projects that are meant to help the UK to resolve the current crisis.

The argument that, at £75 per MWh, the benchmark threshold is above historic standards is extremely weak, both because wholesale price expectations had already risen before the war in Ukraine[3] and, more importantly, because investors in generation projects, with a lifespan of 20 years or more, are now facing a completely different economic outlook with higher supply chain and capital costs.

Understanding the difference between high prices and exceptional prices is important. Generators expect to have periods of relatively high prices to offset the expectation that there will also be periods of low wholesale prices, and increased price cannibalisation risk. Their investment decision is, therefore, based on a balanced view of how wholesale prices will change over time.

The question of what is 'exceptional' and what is now the 'new normal' for electricity and gas prices is important. Putting aside the impact of the war in Ukraine, a genuine exceptional event, the pre-crisis consensus expectation was that electricity prices would increase for the remainder of the decade, as demand for gas increased across the world, but that renewable electricity prices would become increasingly susceptible to price cannibalisation and volatility as the capacity of renewable energy increased. That consensus has not changed significantly.

Post-crisis there are a lot of uncertainties, but the general view[4] is that, barring another economic shock, electricity wholesale prices are expected to fall from the current exceptional peak but remain at a historic high (above £100 MWh) until the end of the decade, at which point increasing price competition between renewable technologies will see electricity prices become even more volatile. In part the medium term electricity price increase will be due to changes in gas supply and a more fundamental shift towards more expensive LNG imports, as well as the growing demand from Asia and other countries as they transition from coal. Hence the imperative to increase investment in renewables and nuclear energy.

A critical point that has been made by a number of industry analysts is that the market outlook for project developers is fundamentally different now compared to before the crisis. In particular, the cost of capital has increased significantly and, as a result, the revenue threshold for a viable project has also risen. This new market reality also applies to projects that have previously accepted very low CfD strike prices but have yet to reach financial close and are now at risk.

3 See Ofgem's Wholesale price outlook data for August/September 2021, which had already topped £100 MWh by 20th September based on increasing levels of gas demand. Source: **www.ofgem.gov.uk/energy-data-and-research/data-portal/all-available-charts?keyword=wholesale&sort=relevance**

4 See Cornwall Insight for more information. Source: **www.cornwall-insight.com/press/energy-prices-to-remain-significantly-above-average-up-to-2030-and-beyond**

Impacts on the electricity market

How the EGL will impact on electricity markets is not at all clear and, judging by the technical notes that have accompanied the draft legislation, does not appear to have been modelled by policy makers yet.

As discussed above, in some ways the EGL may be less market distorting than the EU revenue cap. There are, however, a number of potential market impacts to consider:

1. Will the EGL encourage generators to switch away from short term and day ahead markets (since there is less potential upside revenue) towards longer term power purchase agreements (PPAs)?
2. Will the EGL encourage generators to withhold power from the wholesale markets, in favour of operating within the balancing mechanism? Will this reduce liquidity in the wholesale market and increase scarcity rent, and excess profits, being made by gas generators?
3. Will the terms of PPAs change – perhaps encouraging longer duration PPAs with a price escalation, greater use of fixed price terms or a shift to non-commodity revenue (e.g., REGO values)?
4. How will the EGL and EU revenue cap impact on electricity import/export activity? Will there be arbitrage opportunities between markets? Will interconnector investment be affected?
5. **Alongside Brexit**, will the EGL further increase the divergence and de-coupling between EU and UK markets? And, if so, what will this cost the UK consumer?
6. How will the EGL impact on co-located battery storage[5]?
7. How will the EGL apply in Northern Ireland, which falls under the UK EGL legislation but operates within an Island of Ireland energy market? This does not seem to have been addressed.
8. Will the EGL encourage corporate restructuring and possibly divestment from group companies?

5 For more in-depth analysis, see **Modo analysis**

Interaction with the Contracts for Difference (CfD) Scheme and Regulated Asset Base (RAB) investment support models

The discussion so far has considered investment from the perspective of a generator whose main income is determined by the selling of electricity in the wholesale market and the price of that energy. Or, as it is sometimes called, trading at merchant risk.

However, a counter-argument to the point that the EGL will inhibit investment, is that much of the new capacity of renewable energy, and in future nuclear, will be underpinned by a form of revenue support either via the CfD scheme or a RAB or a cap and floor model.

Note: CfD-backed project revenues will not be included in the EGL, since their revenue is already capped and floored by the CfD strike price.

If the EGL had been introduced within the context of the UK government making a significant commitment to increase the budget allowances for CfD-backed projects[6], and perhaps also offering to extend CfD arrangements to existing generators[7], then this would go some way to offsetting the negative investment impacts of the EGL and would be more consistent with meeting the UK's net zero targets.

As Regen has written elsewhere[8], extending the CfD arrangements for new and existing generators would be a much better way to both support investment and to ensure that the value of low-cost renewable energy during times of high energy costs is shared with consumers rather than taken as exceptional profits. This seemed to be the direction of travel during the summer of 2022 when the concept of a windfall tax was not in political favour.

The EGL will make it harder for generators to raise finance and invest on a merchant risk basis and will, therefore, make them more dependent on securing a CfD. If this was the government's intention then that would make some sense, although it would be a significant change in direction. There is also no sign that the two policies have yet been joined up.

Unless they are joined up the fear is that, while the EGL chokes off one route to market, a low budget allowance for the next CfD auction rounds could see investment fall well below the level needed to achieve net zero. There is also a crisis looming within the CfD scheme itself, with a significant risk that previous auction rounds have resulted in strike prices so low that projects are no longer viable in the face of rising supply chain and financing costs.

The worst-case scenario is that the EGL dissuades new investors, while the CfD round 4, and perhaps round 5, projects fail to come forward. This outcome would mean a significant hiatus for the UK's net zero and energy security strategy, higher consumer bills and greater gas import dependency.

6 For example, by setting out clear budget allowances and capacity targets for CfD allocation rounds 5, 6, 7 etc. linked to a coherent Net Zero delivery plan.
7 Extending the CfD was the **previous policy proposed by then business secretary Kwasi Kwartang** in the summer of 2022, which was supported by many in the industry. Oh if only he had stuck to that.
8 The extension of CfDs is key recommendation in Regen's REMA consultation response: **regensw.wpenginepowered.com/wp-content/uploads/Regen-Consultation-Response-Final-Oct-2022.pdf**

Will the EGL raise over £14 billion in revenue for the Treasury?

There is a significant amount of uncertainty about how much revenue the EGL will actually raise and some very big sensitivities that need to be considered.

The biggest uncertainties are:

1. The future price of electricity and how quickly this falls back to a 'new normal' after the energy crisis. At time of writing, gas prices have fallen significantly and electricity wholesale prices, while extremely volatile, are on a downward trend.
2. The extent to which EGL generators will sell their energy on a forward or fixed price basis and may therefore choose price certainty and forego the opportunity to make exceptional revenues.
3. The flipside to point 2, the extent to which very high wholesale prices are the result of secondary trading of electricity (the current churn rate is around 2.5[9]) or scarcity rent taking by dispatchable gas generation, and do not in fact reflect revenues earned by most generators.
4. The detail of the scheme, for example, how the definitions of 'company group', 'private wire' 'behind the meter' are applied and whether complex generator structures fall out of the scheme.
5. Other means of levy avoidance, for example through hedging and trading activities, shifts from short terms markets towards forward markets and longer term contracts.

Based on analysis of the Renewable Obligation database, Regen's rough calculation suggests that, depending on future wholesale electricity prices, the EGL could raise between £2.5 and £7 billion from renewable energy generators (excluding biomass). Add in perhaps £1-2 billion from biomass, and a potential £4-8 billion from nuclear, and the Treasury could be looking at receipts of between £6 and £16 billion over the five year period.

Table 3 Potential EGL revenue take 2023-2028

		Potential EGL revenue take 2023-2028 (billions)		
Generation technology	Approx number generators	Low price	Medium price	High price
Renewables (Wind and solar)	130	£2-3	£4-5	£7+
Biomass	12	£0.5	£1	£2+
Nuclear	6	£4-5	£6-7	£8+
	Total EGL revenue	£6-7	£9-10	£16+

Source: Regen – based on a rough analysis of RO registered generators

9 Churn rate – the average number of times a unit of electricity is traded between generator and end consumer. See Ofgem: www.ofgem.gov.uk/energy-data-and-research/data-portal/wholesale-market-indicators

Therefore, BEIS's £14 billion estimate looks to be at the upper end of the range of outcomes and, given the recent falls in electricity and gas prices, may be considered a very high estimate. On the other hand, the EGL is a form of hedge for the Treasury – if wholesale prices are low the tax take will be less, but so too will the amount of money that will be needed to make up the consumer energy price guarantee[10].

It is interesting, however, that the tax take from nuclear could match, or even exceed, that from renewables. Hence EDF, and other nuclear generators, have begun to highlight **the risk to nuclear sector**.

It will also be fascinating to glean, from the tax returns, how much revenue is actually being earnt by generators and how much of the current market volatility and high prices is actually the result of secondary trading activity. The suspicion is that, although generators may have done well, a lot of the super-profiteering from price volatility will have been achieved by traders. However, given the complexity of the electricity market and the number of vertically integrated participants, it is also true that some generators are also traders.

10 The burden of the consumer energy price guarantee has been revised downwards: **www.current-news.co.uk/news/falling-wholesale-prices-could-mean-price-cap-falls-below-energy-price-guarantee-from-july**

Conclusion

It is understandable that the government should seek to implement a windfall tax on exceptional profits, especially at a time when it is subsidising energy consumer bills.

All windfall taxes have an impact on investment. A well-designed and implemented windfall tax, that is temporary, not arbitrary, well defined, easy to implement and solely for the purpose of targeting exceptional profits will have a lesser impact, especially if it is developed in consultation with the industry.

The UK EGL has a number of positive features and could be the basis of a well-designed windfall tax. However, its major weaknesses are the length of duration which, at over five years, exceeds what could be termed as temporary, and that it will also apply to projects that have not yet been commissioned. For this reason Regen has argued that this looks less like a windfall tax and more like a super-tax on future revenue.

The benchmark threshold of £75 per MWh is arbitrary. Without a proper evaluation and consultation with industry it cannot be said to represent a true threshold of 'exceptional' revenues or a threshold at which future projects would be viable. Changes in the economic outlook for developers, including a significant increase in the cost of capital and supply chain costs, suggest that at higher threshold will be needed.

As a result of this, the EGL poses a serious risk to future investment which could jeopardise the UK's net zero and energy security strategy. This risk must be considered in the context of the massive uplift in low carbon investment that is needed and the increasing competition for capital investment from the US, Europe and other countries.

The counter-argument, that more projects could be deployed under the CfD scheme, would have more weight if the EGL was accompanied by a clear commitment to extend the CfD scheme and increase budget allowances. At the moment these two policies are not joined up.

Regen's recommendations

1. Reduce the term of the EGL to 18 months, running until June 2024.
2. Exclude new projects commissioned after 1 January 2023.
3. Reconsider the £75 MWh figure to determine if it truly represents the threshold of exceptional revenue and is set at a level that will support future investment.
4. Exclude all Community Interest Companies, Co-operatives, Associations and other legal entities whose main purpose is to use generation profits to provide community benefits.
5. Include capital tax allowances to encourage investment in low carbon technologies.
6. Link the EGL to a commitment to increase budget allowances for future CfD allocation rounds that are sufficient to deliver higher levels of renewable energy deployment consistent with achieving the UK net zero strategy and the decarbonisation of power by 2035.
7. Continue to pursue an extension of CfD contracts to new and existing generators as a better long-term deal between consumers and generators to provide lower-cost energy in exchange for greater revenue certainty.