Community Windpower welcomes Commons Committee report urging Government not to damage low-carbon electricity investment

Tax system subsidises loss-making oil and gas investments while disincentivising new renewable energy projects

LONDON , UNITED KINGDOM , January 6, 2023 /EINPresswire.com/ -- The House of Commons Environmental Audit Committee has called for the Treasury to introduce an Investment Allowance for low carbon electricity generators who have been struck by the Government's new Electricity Generator Levy. The recommendation comes in a report published today (Thursday 5th January 2023) titled, 'Accelerating the transition from fossil fuels and securing energy supplies', which highlights the disparity between sectors.

The Committee commented on how the tax reliefs and investment allowance available to the oil and gas sector serve to encourage increased investment in fossil fuel extraction. It is noted that the effective tax relief for oil and gas expenditure is now a massive 109% and that "this means that producers will effectively be paid to make such investments." However, the new Government levy introduced exclusively on low-carbon electricity generators in the wind, solar, biomass and nuclear sectors offers no such reliefs. This risks future investment, and therefore the Government's own targets for the Net Zero transition.

The report stated: "The tax system should help, not hinder, the transition to a low-carbon economy. The original way in which the Investment Allowance was structured provided a perverse incentive to accelerate investment in high-carbon oil and gas installations at a time when the public policy imperative was to accelerate the transition away from fossil fuels."

The Committee went on to say that they had, "significant reservations about the extent of the financial support the Treasury is providing via the Investment Allowance, which the Institute for Fiscal Studies has noted 'means that North Sea investment will be massively subsidised' and 'could lead to loss-making investments being rendered commercial'.

"The Government is not providing renewable energy generators with the same level of generous tax reliefs for new investment to enhance the UK's energy security. We recommend that the Treasury examine how a similar low-carbon Investment Allowance could be introduced for electricity producers paying the new temporary tax of 45%."

Commenting on the report, Rod Wood, Managing Director of Community Windpower, said:

“The Select Committee has hit the nail on the head in identifying the inequality in treatment between the renewables and hydrocarbon industries, and flagged the perverse impact of the Electricity Generator Levy on investment in renewables.

“The Committee confirmed our fears that the levy is discriminatory in exclusively targeting low carbon producers, while restricting their ability to invest in the future of the UK’s low carbon economy.”

The Committee’s concerns also reflect those of the general public. A recent poll commissioned by Community Windpower and conducted by Censuswide found that, of those expressing a view, the public opposes by a factor of 5 to 1 plans to raid earnings made by the UK’s vital renewable energy sector, while treating more favourably the huge profits made by oil and gas firms as a result of soaring energy costs.

Community Windpower has reluctantly signalled that it will pursue legal action if the Government will not engage with a view to redesigning the levy. The levy is at odds with the Government’s own legislated goals and legal responsibilities, cutting across its obligation to cut carbon emissions, abide by fair subsidy rules and foster investor confidence. Community Windpower has therefore been left with no option but to seek the court’s intervention.

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Notes to Editors

About Community Windpower:

Community Windpower is one of Britain’s leading renewables businesses. As an onshore wind investor, it has over 1.5GW of windfarms built, under construction or in development across the UK. It has been operating since 2001 to develop renewable energy sources to help combat the threat of climate change, and to date it has invested over £500 million, with plans to increase this to £2 billion by 2025.

Community Windpower has initiated and invested £1m in a new Energy Fund to provide financial assistance to families and residents, particularly those with health issues, hardship and in need, in East Lothian over this winter. Advice Direct Scotland is administering the East Lothian Energy Fund with support from East Lothian Council. The scheme will run until 31st March 2023, or until funds have been exhausted. The £1 million fund has been solely financed by Community Windpower and the Government should be encouraging all energy generators to support consumers in most need. More information can be found at Communityadvice.

About the Electricity Generator Levy:

The levy is a 45% charge on exceptional receipts generated from the production of wholesale electricity. ‘Exceptional receipts’ are defined as wholesale electricity sold at an average price in excess of £75 per MWh over an accounting period, and the levy is limited to generators whose in-scope generation output of electricity exceeds 50GWh across a period of a year. The levy will apply to exceptional receipts exceeding £10 million in an accounting period and is in addition to corporation tax payable against those revenues.

In addition, coal, oil and gas electricity generators are out of the levy’s scope, despite earning supernormal profits – another sign that the Government is actively favouring investment in fossil fuel generators whilst penalising and restricting investment and economic growth within the vital renewable sector. Those businesses’ operating models also run counter to the UK’s net zero ambitions. If the Government seriously wants to raise revenue to help pay for household and businesses’ support, it would capture everyone operating in the market fairly. The same is true for the unexplained decision to only hit the larger generators, while allowing smaller ones to avoid the scope of the levy.

Legal submissions by Community Windpower call the levy “unfairly disproportionate, discriminatory and adverse to the Government's Net Zero Strategy”, citing conflicts with a wide range of existing obligations on Ministers, including laws requiring the Government to cut carbon emissions and to promote alternative energy sources.

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