

Insights

AUTUMN BUDGET 2024: KEY TAKEAWAYS FOR THE UK'S ENERGY SECTOR – PART TWO

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On October 30 2024, the Labour government delivered their first Budget since 2010. The Budget introduced some key changes for the energy industry, including the Energy Profits Levy and Relief for payments made into a Carbon Capture Usage and Storage Decommissioning Fund, as discussed in [BCLP's Autumn Budget 2024: Key Takeaways for the UK's Energy Sector – Part One](#).

Whilst changes to the EPL could be somewhat controversial to the oil and gas industry, the Budget has proposed some more well received mechanisms, as discussed below.

KEY CHANGES

Consultation on assessing effects of Scope 3 emissions from Offshore Oil and Gas Production and Development Projects

The government opened a consultation on new environmental guidance for assessing end use emissions, relating to oil and gas projects. The [consultation](#) follows the controversial June 2024 *Finch v Surrey County Council*, where the decision to grant planning permission for an onshore oil development project was deemed as unlawful, due to end-use atmospheric emissions from the burning of oil, which had not been assessed in the planning decision.

As a consequence, the government has decided to develop and consult on draft supplementary Environmental Impact Assessment guidance, providing clarity on assessment of the effects of scope 3 emissions on the climate, resulting from proposed offshore oil and gas projects looking to obtain development and production consent.

Finalised supplementary Environmental Impact guidance, and a government response to the consultation will be published in spring 2025, in what the government calls *"the first step towards a fair, orderly and prosperous transition in the North Sea."*

Whilst it is too early to know the true outcome of this consultation, clarification on scope 3 emissions will be a welcome change in the industry given the upheaval and consequential uncertainty, earlier caused by *Finch*.

Climate Change Levy

The government will raise the rates of the Climate Change Levy ('CCL') for electricity, gas, and solid fuels from 1 April 2026, in line with the Retail Price Index. The main rates of the CCL are payable on electricity, gas and liquefied petroleum supplies, as well as solid fuels, to businesses and public sector organisations. Raising these rates should help ensure the CCL keeps up with inflation to ensure that the incentive for energy efficiency remains.

The main rate for liquefied petroleum gas will remain frozen, ensuring improved consistency between liquefied petroleum gas and other portable fuels for commercial premises not connected to the gas grid.

Carbon Price Support 2026 – 2027 rates

The Budget also touched upon Carbon Price Support ('CPS'), an additional carbon tax for power generators in Great Britain using fossil fuels. Rates in Great Britain are to be maintained at a level equivalent to £18 per tonne of CO₂ in 2026-2027; further incentivising the switch to investment in low-carbon power generation.

Carbon Border Adjustment Mechanism: government response publication

As previously promised in their manifesto, the UK carbon border adjustment mechanism (CBAM) is set to be introduced on 1 January 2027, accounting for the carbon cost of imported goods. In the [response to the March 2024 consultation](#) on the Introduction of a UK Carbon Border Adjustment Mechanism, the government confirmed its plans for the upcoming UK CBAM.

The UK CBAM will put a carbon price on the most emission intensive industrial goods imported to the UK, from the aluminium, fertiliser, cement, hydrogen, iron, and steel sectors. Products from the glass and ceramics sectors will not be in the scope of the UK CBAM, as was previously proposed. Furthermore, the registration threshold will be set to £50,000, removing micro, small and medium sized businesses from the scope.

The introduction of CBAM is intended to *“ensure highly traded, carbon intensive goods imported from overseas face a carbon price that is comparable to what would have been payable had they been produced in the UK”* and follows broad support from the [2023 consultation](#). The UK CBAM initiative will not be introduced until 2027, providing the industry with time to understand its effects.

What's to Come?

After the recent Budget announcement, Labour's commitment to supporting a green energy transition remains clear. However, it's too early to truly grapple with the implications of the proposed 'green' measures. The government is still yet to release its 'Clean Power 2030 Action Plan', which will set out the pathway to decarbonise the electricity grid and publish an updated Carbon Budget Delivery Plan, containing proposals allowing the government to reach their carbon budgets. The

potential impact of these measures remains unknown, but is certain to have a knock-on effect in the energy sector, and subsequent investments. BCLP will continue to monitor these developments.

This article was written with trainee solicitor Hannah Fraser.

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MEET THE TEAM



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