



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Andrew Murrison MD MP
House of Commons
London
SW1A 0AA

05 APR 2024

28 March 2024

Dear Andrew,

Thank you for your letter of 12 March regarding Government's policy with regards the Energy from Waste sector, and for your welcoming of the Spring Budget 2024. The Budget delivers and builds on the growth and investment-focused package announced at Autumn Statement 2023, including further measures to crowd in private sector investment into our clean energy industries. Tackling climate change is vital for the UK's long term economic prosperity and energy security and we are confident in the strength of the UK's existing offer, having halved emissions since 1990, faster than any G7 country.

Energy from Waste (EfW) refers to the thermal treatment of waste that cannot be practically or economically recycled or reused. It therefore plays an important role in diverting waste from landfill and must not compete with greater recycling, reuse, and prevention of waste.

Your letter refers to EfW's introduction into the UK Emissions Trading Scheme (ETS). The UK ETS Authority has confirmed its intention to expand the scope of the UK ETS to include waste incineration and EfW facilities. The Authority intends to commence a Monitoring, Reporting and Verification (MRV)-only period from 2026-2028, before full implementation in 2028. This follows the UK Government's commitment in the Net Zero Strategy to explore expanding the UK ETS to uncovered emissions, and the Climate Change Committee's recommendation that the Authority include EfW and waste incineration in the UK ETS "as soon as possible" and to implement this decade.

By announcing this intention in the summer of 2023, we are giving a 5-year period of notice for the sector and their customers to prepare for implementation. This will also give the sector time to adjust to additional waste policies that are coming into force over the next few years, such as the Extended Producer Responsibility (EPR) scheme, among others regional policies.

Final proposals for both the phasing period and full implementation will be set out in a technical consultation, which the Authority is aiming to publish shortly, and a subsequent response confirming these details soon after.

Your letter also refers to support for EfW generation via the Contracts for Difference (CfD scheme). The CfD is designed to support low-carbon electricity generation and a wide range of technologies are currently eligible for the CfD scheme, including Energy from Waste with Combined Heat and Power. For Allocation Round 6 we have allocated a budget of £120 million for Pot 1, which EfW projects would compete in. Budget figures are an estimate of annual support in the most expensive year in the first four years of the CfD round following deployment. Actual annual figures will vary over the lifetime of the contract depending on future wholesale electricity prices and outcomes of the competitive auction process.

EfW projects are only eligible if they comply with strict sustainability criteria, and electricity-only incineration (which is already economically viable) is ineligible. Government keeps the technologies eligible for CfD support under review. Since launching the CfD scheme in 2014, only three contracts have been allocated to EfW projects, accounting for less than 0.4% of total contracted capacity.

I would recommend further engagement with the Secretary of State for Energy Security and Net Zero, as the Minister responsible for CfD, if you would like to discuss this policy design further.

Best wishes,

A handwritten signature in blue ink, appearing to read 'Jery', with a long horizontal flourish extending to the right.

RT HON JEREMY HUNT MP
Chancellor of the Exchequer