



To

Rt Hon Ed Miliband MP,
Secretary of State for Energy Security and Net Zero;

Rt Hon Jonathan Reynolds MP,
Secretary of State for Business and Trade

4th October 2024

Delivering secure, competitive, low carbon energy to the UK's industrial heartlands

Dear Secretaries of State,

As the world moves towards clean energy, the UK is well positioned to capitalise on the economic opportunities of the next energy transition, with its existing skills base enabling it to exploit the vast wind resource and CO₂ storage potential in the seas around the UK – with opportunities in hydrogen bringing the two together.

The UK Government's Clean Power Mission is a welcome focus on accelerating clean energy, and we collectively support its ambition. Coupled with a wider industrial strategy, it can help the UK maximise economic opportunities by increasing productivity, creating good jobs, expanding green industries of the future, delivering affordable energy prices for consumers, and ensuring a fair and just transition for workers and communities that have delivered the UK's past and current energy needs and industrial output.

To deliver this ambition, the policy framework must support it. However, an area of common concern is the option for zonal pricing under the Review of Electricity Market Arrangements (REMA), which is considering the future of the electricity market in Great Britain. We are clear that splitting GB into several regional price zones would undermine investment in low carbon energy and risks penalising the UK's energy intensive industries with higher electricity costs in globally competitive sectors.

The volatility zonal pricing would introduce would create new risks for clean energy developers, which would lead to increases in the cost of capital, the impact of which would outweigh the purported benefits of zonal, particularly when factoring in the new grid upgrades that are being planned. Importantly, consideration of such a radical change is undermining the significant investment required to deliver on the Clean Power Mission with implications for the energy transition in the longer term.

For industrial demand users, like the steel, glass, and ceramics industries, zonal pricing risks increasing electricity prices in the zones they operate in and undercutting the recent policies to bring industrial electricity prices closer to those in Europe. As parts of industry are decarbonising by electrifying, zonal pricing risks undermining these efforts and could increase the risk of deindustrialisation.

Therefore, we call on the Government to rule out zonal pricing and commit to a Reformed National Market (RNM) programme in the Autumn that will support investment and best deliver secure, competitive, low carbon energy to the UK's industrial heartlands.

Incremental reforms under an RNM programme, including reforms to transmission network charges and system balancing alongside strategic buildout of energy networks, will best support clean growth opportunities for the UK's existing, and future, energy intensive industries whose locations are determined by a range of factors delivered by existing locations, most notably its workforce.

We stand ready to deliver on the Clean Power Mission and secure the upcoming clean growth opportunities for UK plc.

Yours sincerely,

British Glass
Ceramics UK
Community Trade Union
Global Infrastructure Investor Association
Independent Renewable Energy Generators Group (IREGG)
Make UK
Offshore Energies UK
Renewable UK
Scottish Renewables
Solar Energy UK
UK Steel

CC

Michael Shanks MP, Minister for Energy
Sarah Jones MP, Minister for Industry
Rt Hon Darren Jones MP, Chief Secretary to HM Treasury
Rt Hon Pat McFadden MP, Chancellor of the Duchy of Lancaster
Rt Hon Ian Murray MP, Secretary of State for Scotland
Rt Hon Jo Stevens MP, Secretary of State for Wales