

Title: Impact assessment of the Bill to establish Great British Energy IA No: DESNZ014(F)-24-GBE RPC Reference No: N/A Lead department or agency: Department for Energy Security and Net Zero Other departments or agencies: N/A	Impact Assessment (IA)			
	Date: 17/07/2024			
	Stage: Final			
	Source of intervention: Domestic			
	Type of measure: Primary legislation			
Contact for enquiries:				

Summary: Intervention and Options	RPC Opinion: N/A
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Cost of Preferred (or more likely) Option			
Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status
N/A	N/A	N/A	Not a regulatory provision

What is the problem under consideration? Why is government action or intervention necessary?

The Government's manifesto committed to establishing Great British Energy (GBE) as a publicly-owned energy company to support the Government's aim of achieving an affordable, secure and decarbonised power system by 2030, ensuring we can meet future demand as we further decarbonise the economy. Government action is needed to overcome the market failures (negative externalities, barriers to entry, information asymmetries, and co-ordination failures) that are inhibiting the private sector from delivering the levels of investment required to achieve this.

What are the policy objectives of the action or intervention and the intended effects?

This legislation focuses on the establishment of GBE as a publicly-owned energy company. It does not include details of the financial allocation to GBE, and the costs and benefits will depend on activities and spending decisions not within scope of this impact assessment. All investment into and expenditure of GBE will be subject to future business cases, which will set out in detail the monetised and non-monetised impacts of GBE's activities. Should GBE become part of the Government Major Projects Portfolio (GMPP), we would expect a summary business case relating to final decisions on scope and function to be published. A programme of stakeholder engagement will be carried out to ensure the sector is consulted fully on GBE's objectives and activities as these are further developed. The overall policy objective is for GBE to drive clean energy deployment, create jobs, boost energy independence, and generate benefits for UK taxpayers, billpayers and communities. The Government committed in its manifesto to £8.3bn over the next Parliament to capitalise this organisation to support delivery of these objectives.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Two shortlisted policy options have been considered:

- Counterfactual (do nothing). In this option, GBE is not set up as a publicly-owned energy company.
- GBE is established as a publicly-owned energy company (preferred option). The preferred option is for GBE to be an arm's length GovCo with capability to facilitate, encourage, and participate in the production, distribution, storage, and supply of clean energy; the reduction of greenhouse gas emissions from energy produced from fossil fuels; improvements in energy efficiency; and measures for ensuring the security of the supply of energy. It is anticipated to be classified initially as a non-departmental public body (NDPB). We expect GBE to become a Public Corporation over time.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: N/A				
Is this measure likely to impact on international trade and investment?		No		
Are any of these organisations in scope?	Micro Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/A		Non-traded: N/A	

I have read the Impact Assessment, and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister  Date: 24/07/2024

Summary: Analysis & Evidence

Description: This legislation focuses on the establishment of GBE as a publicly-owned energy company. It does not include details of the financial allocation to GBE, and the costs and benefits will depend on activities and spending decisions not within scope of this impact assessment. All investment into, and expenditure of, GBE will be subject to future business cases, which will set out in detail the monetised and non-monetised impacts of GBE's activities. Should GBE become part of the GMPP, we would expect a summary business case relating to final decisions on scope and function to be published. A programme of stakeholder engagement will be carried out to ensure the sector is consulted fully on GBE's objectives and activities as these are further developed.

FULL ECONOMIC ASSESSMENT

Price Base Year N/A	PV Base Year N/A	Time Period Years N/A	Net Benefit (Present Value (PV)) (£m)			
			Low:	High:	Best Estimate: N/A	
COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Cost (Present Value)	
Low						
High						
Best Estimate	N/A		N/A		N/A	
Description and scale of key monetised costs by 'main affected groups'						
There are no monetised costs associated with this legislation.						
Other key non-monetised costs by 'main affected groups'						
There are no direct non-monetised costs associated with this legislation.						
BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Benefit (Present Value)	
Low						
High						
Best Estimate	N/A		N/A		N/A	
Description and scale of key monetised benefits by 'main affected groups'						
There are no monetised benefits associated with this legislation.						
Other key non-monetised benefits by 'main affected groups'						
There are no direct non-monetised benefits associated with this legislation.						
Key assumptions/sensitivities/risks					Discount rate (%)	N/A
No assumptions, sensitivities or risks are outlined here as there are no direct monetised or non-monetised impacts associated with this legislation.						

BUSINESS ASSESSMENT

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m: N/A
Costs: N/A	Benefits: N/A	Net: N/A	

Evidence Base

Scope of impact assessment

1. This legislation focuses on the establishment of GBE as a publicly-owned energy company. It does not include details of the financial allocation to GBE. Therefore, this impact assessment focuses solely on the impacts of the legislation establishing GBE, which are expected to be minimal.
2. This impact assessment does not assess the costs and benefits of the investment into, and expenditure of, GBE. These will be subject to future business cases, which will set out in detail the monetised and non-monetised impacts of GBEs activities. Should GBE become part of the GMPP, we would expect a summary business case relating to final decisions on scope and function to be published. Where possible, we have described the types of cost and benefit likely to result from GBE's future activities, but these are not a direct impact of the establishing legislation.

Problem under consideration and rationale for intervention

3. The scale of transformation required to achieve an affordable, secure and decarbonised power system by 2030 and to maintain it as electricity demand grows through to 2050 is unprecedented. There are substantial trade-offs in simultaneously deploying additional clean energy capacity, reducing electricity demand, protecting billpayers, increasing energy security, and creating new skilled jobs.
4. The Climate Change Committee in its June 2023 Progress report¹ highlighted that the UK is “off-track” to deliver on its previous target to fully decarbonise the power sector by 2035. Achieving full decarbonisation of the power sector by 2030 requires an even faster pace of transition and, beyond 2030, demand for clean energy is expected to grow further as we further decarbonise the economy. It is unlikely that, within the current policy and institutional landscape, the private sector will deliver the levels of investment required to achieve this target due to the following market failures:
 - **Externalities:** When making investment decisions, private firms primarily focus on achieving a return on investment for their shareholders, and often do not fully consider the realisation of wider benefits to society (such as lower consumer bills, emission savings and energy security). As a result, the market alone tends to achieve lower than the socially optimal level of investment in clean energy.
 - **Barriers to Entry & Information Failure:** Clean energy projects generally have high up front capital requirements combined with significant uncertainty about potential return on investment. Future energy prices are very difficult to predict, and investors have to spend a significant amount of capital “at risk” to determine the feasibility of energy projects. The contracts for difference (CfD) scheme has partially mitigated this issue by guaranteeing generators revenue; however, the auction process by which contracts are awarded means uncertainty remains for investors on if and when they will receive a contract and in turn a return on their investment. These issues can restrict and delay potential clean energy projects from being constructed and increase

¹ The 2023 CCC Progress Report to Parliament was published on 28 June 2023. <https://www.theccc.org.uk/publication/2023-progress-report-to-parliament/>. At the time of publication of this Impact Assessment, the 2024 CCC Progress Report is expected to be published on 18 July 2024. Therefore, the upcoming CCC recommendations will be duly considered in the decisions that will follow up the setup of GBE.

the costs of those that are built, as greater investment returns are needed to cover these risks.

- **Coordination failure:** Clean energy generation projects have to carry out a significant amount of pre-development work (e.g. grid connectivity, planning permission, extraction, environmental studies) before they can begin construction. This work is costly, and the current policy and institutional landscape requires projects to engage with numerous different public sector bodies who operate with differing objectives and to different timescales. At the local level, Local Authorities are often best placed to convene and coordinate net zero action in their own local areas, as they have direct control (e.g. through planning and land ownership) and more subtle place-making abilities; however, energy and climate officers are generally under resourced – an issue that is further entrenched by the fragmented Net Zero funding landscape, which makes it difficult to build long-term capabilities and capacity at the local level.

Description of options considered

5. **Option 1: Counterfactual (do nothing).** In this option, a GBE is not set up as a publicly-owned energy company.
6. **Option 2 (preferred option):** GBE is established as a publicly-owned energy company. In this option, GBE will be an arm's length GovCo with the capability to facilitate, encourage and participate in the production, distribution, storage, and supply of clean energy; the reduction of greenhouse gas emissions from energy produced from fossil fuels; improvements in energy efficiency; and measures for ensuring the security of the supply of energy. These activities will be carried out for the purpose of furthering government policies and will be aligned with a statement of strategic priorities, which will be prepared by the Secretary of State and laid before Parliament. It is anticipated that GBE will initially be classified as an NDPB. We expect GBE to become a Public Corporation over time. The Government committed in its manifesto to £8.3bn over the next Parliament to capitalise this organisation.

Policy objective

7. The overall policy objective is for GBE to drive clean energy deployment to create jobs, boost energy independence, and generate benefits for UK taxpayers, billpayers and communities. This requires GBE to:
 - work closely with industry and unions, as well as communities, local authorities, and other public sector organisations to invest in and drive the deployment of clean energy
 - invest in, own and develop clean energy projects in order to derisk and accelerate the delivery of projects and provide support where there is a market gap
 - be set up to have an early impact, as well as for long-term success beyond 2030 to help meet future demand from delivering a net zero UK economy
8. A programme of stakeholder engagement will be carried out to ensure the sector is consulted fully on GBE's objectives and activities as these are developed.

Overview of preferred option

9. The preferred option is for GBE to be an arm's length GovCo, anticipated to initially be classified as an NDPB, with its role set out in primary legislation. We expect GBE to become a Public Corporation over time. Operational independence from central government and an organisational structure that can be enduring across parliaments is important for the policy to meet the intended outcomes and impacts. Only option 2 can offer this and meet the policy objectives of HMG. The Government committed in its manifesto to £8.3bn over the next Parliament to capitalise this organisation.
10. The proposed NDPB approach involves a new private limited company being registered and designated as GBE through the GBE Bill to enable it to begin operations and undertake initial activities. GBE will derive the majority of its general powers from the Companies Act 2006, and be set up accordingly with a Chair, CEO and Board, and the Secretary of State as sole shareholder. The expedited set-up of GBE using the GovCo model will allow GBE to hire interim leadership, commence time-critical activities, and provide flexibility to ministers as GBE is established.
11. An NDPB can work with an agreed strategy without being under the day-to-day control of a minister. An NDPB also allows for more innovation and a customised approach to the delivery of HMG's policy objectives given GBE's evolving partnership with the private sector, communities, and local authorities. Whilst GBE employees will still be subject to overall pay policy, the NDPB form allows for terms and conditions specific to the organisation, subject to agreed derogations from HMT and Cabinet Office controls, to attract the specialist talent required for the delivery of programmes across multiple different technologies.
12. The Secretary of State will be accountable to Parliament for all matters relating to GBE. The department will therefore set clear reporting and monitoring requirements through a Framework Agreement with the organisation and annual mandate letters to the Chair. The department will also expect to have shareholder representation on the GBE Board through one or more Shareholder Non-Executive Directors, appointed by the Secretary of State. The CEO of GBE will be appointed as the Accounting Officer for Great British Energy, accountable to the Principal Accounting Officer (DESNZ Permanent Secretary), with responsibilities and accountabilities set through a letter of delegation. This will include limits of delegated authority including the extent to which investment decisions require the approval of the CEO, Board or Shareholder.

Overview of proposed legislation

13. The primary legislation will give the Secretary of State the power to designate a fully HMG owned GovCo as GBE and set out that its objects are to facilitate, encourage and participate in:
 - the production, distribution, storage, and supply of clean energy
 - the reduction of greenhouse gas emissions from energy produced from fossil fuels
 - improvements in energy efficiency
 - measures for ensuring the security of the supply of energy

14. The Bill also provides the Secretary of State with powers to provide direction and give financial assistance to GBE. In addition, the Bill requires the Secretary of State to prepare a strategic priorities statement.

Costs of preferred option

15. This legislation is not expected to have any direct costs associated with it. The scope of this Bill does not include details of the financial allocation to GBE, and therefore future costs will depend on spending decisions beyond the scope of this impact assessment. All investment into and expenditure of GBE will be subject to future spending reviews and business cases, which will set out in detail the monetised and non-monetised impacts of GBE's activities.

16. The primary costs associated with GBE are expected to include:

- Direct costs of setting up and establishing GBE. A departmental team is being stood up to set up GBE. However, at this stage, we are unable to provide estimates of the direct full time equivalent (FTE) staff and contracted expertise required for this intervention. Historically, interventions of this nature normally require staff across a range of functions and specialisms for initial design, development and set-up activities over a period ranging from a few months up to two years, depending on complexity of the intervention
- Direct GBE expenditure on its investments and activities to deliver its objectives. Its initial priorities will be to accelerate the deployment of new and established clean electricity generation technologies, and to scale up delivery of municipal and community energy projects. The Government committed in its manifesto to £8.3bn over the next Parliament to capitalise GBE to deliver these objectives and priorities
- Wider costs to business and society occurring as a result of GBE's expenditure and activities

Benefits of preferred option

17. This legislation is not expected to have any direct benefits associated with it, as it focuses only on establishing GBE as an entity designed to facilitate the delivery of HMG's policy objectives. Future benefits will depend on GBE's future activities and spending decisions which are not in scope of this impact assessment. Therefore, no quantification of benefits has been provided at this stage. All investment into and expenditure of GBE will be subject to future spending reviews and business cases, which will set out in detail the monetised and non-monetised impacts of GBEs activities.

18. In option 1 (the counterfactual), GBE is not established and there is no strategic partnership between public and private sectors on clean energy. As a result, the market failures outlined above continue to hinder the level of clean energy investment needed to deliver an affordable, secure and decarbonised power system by 2030 and to maintain it as electricity demand grows through to 2050.

19. In option 2, GBE is established. A public energy company could help mitigate existing market failures and, as a result, increase the speed and reduce the cost of deploying renewable generation capacity through:

- acting as an anchor investor to crowd in "risk-averse" private capital that would otherwise not come forward without the ballast of a long-term stable investment partner

- access to a structurally lower cost of capital that leads to reduced overall project costs
- considering social benefits that renewable generation brings, such as lower emissions and protection for billpayers from volatile fossil fuel markets, when making investment decisions
- coordinating and delivering pre-development activity to reduce project risks and costs
- providing funding to develop local technical capacity and capability to enable the development and delivery of local energy projects

20. If GBE is able to deliver on the stated policy objectives, the resulting benefits may include:

- increase clean energy generation capacity. This could reduce reliance on fossil fuels and, in turn, exposure to volatile global fossil fuel markets, leading to increased energy security and benefits to billpayers
- reduced carbon emissions which will contribute to the UK's legally binding carbon budget goals
- health benefits from air quality improvements resulting from a reduction in emissions
- jobs supported through projects funded and delivered by GBE and in the supply chain

Risk

21. GBE's risk management strategy – which will cover GBE's risk appetite and the processes by which GBE will manage, monitor, and review risks and issues – will be developed as GBE is set up and the details of its objectives and activities are refined. It is likely that GBE's approach to risk will not dramatically deviate from the standard HMG risk management process.

Impacts on businesses and trade

22. As set out above, there are not expected to be any direct costs or benefits associated with this legislation. There are no regulations or obligations arising from the legislation that immediately and explicitly affect any businesses, or which are expected to impact international trade. The Government recognises, however, that the wide scope of potential activities could drive familiarisation costs for businesses in the renewables sector or in related supply chains to understand the new organisation and how it will operate. This applies to businesses of all sizes.

Public Sector Equality Duty

23. The focus of this impact assessment is the establishment and set-up of GBE; therefore, the Public Sector Equality Duty (PSED) analysis presented here has focused only on impacts expected to result from setting up GBE, and not on the activities it undertakes to deliver on its objectives, which will be subject to future PSED assessments.

24. A potential distinction between opportunities for those with protected characteristics during the set-up of GBE has been identified as, when hiring its initial employees, GBE is expected to primarily draw from a renewables workforce that has high concentrations of particular demographics. Data suggests ethnicity and gender present discrepancies in the renewables

sector, for example: the Nuclear Workforce Assessment (2023)² and the Offshore Wind Skills Intelligence Report (2023)³ both estimate 21% of their respective workforces identify as female, despite women representing 51% of the population of England and Wales⁴. The Nuclear Workforce Assessment (2023) shows that 95% of respondents (excluding “prefer not to say”) are white, while the Offshore Wind Skills Intelligence Report (2023) estimated that 93% of its workforce are white. These are higher than the working age population as a whole where 81% identify as being from white ethnic groups. It is therefore possible that employment opportunities arising from GBE would disproportionately benefit white male workers. Limited data is available on the relevant workforce relating to the other seven characteristics and therefore there are no disproportionate impacts currently identified for the following protected characteristic groups in relation to this legislation: Marriage/Civil Partnership; Disability; Age; Pregnancy and Maternity; Religion or Belief, Gender Reassignment or Sexual Orientation. GBE will prioritise diverse and inclusive recruitment principles to lead the industry and mitigate the issues identified.

25. GBE’s headquarters are expected to be located in a city centre in Scotland, with potential for additional offices to be established around the country. GBE offices are expected to have good transport links and facilities, and GBE is expected to have hybrid/homeworking policies in place that support a diversity of work patterns. None of the protected characteristic groups (including disabled groups) should be precluded from employment, although there are the discrepancies in the renewables workforce identified above. GBE will also attract workers with specialist skills in various areas of renewable related expertise. GBE offices will bring people working in related supply chains to the community and offer local businesses indirect employment opportunities in addition to the direct employment opportunities.

26. We have identified no direct impacts of legislation separate to those already highlighted in terms of recruitment or office location. We do not anticipate this legislation will have adverse impacts on any groups of individuals that share protected characteristics.

Monitoring and Evaluation

27. A full monitoring and evaluation plan for GBE will be designed once its responsibilities are defined in the consequential provisions and decisions of the Secretary of State. Individual work programmes or interventions delivered by GBE will likely also have their own monitoring and evaluation plans which will feed into decision making through future GBE business cases.

28. This Bill sets an obligation to send to the Secretary of State a report and accounts on an annual basis which will be laid before Parliament. These requirements will likely be complemented by additional reporting requirements, to monitor the progress towards the objectives and the benefits produced by GBE. The monitoring and reporting requirements are expected to be consistent with those placed on other NDPBs.

29. To produce the statutory reports and other accounts of GBE’s activities, GBE will need to collect regular data on the delivery of agreed outputs, outcomes, and benefits achieved. GBE will also operate management, information, and accounting systems to review its financial and non-financial performance against budgets and targets as set out in its corporate and business plans.

² <https://nuclearskillsdeliverygroup.com/nuclear-workforce-assessment/>

³ <https://www.owic.org.uk/publications-resources>

⁴ <https://www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/demographics/male-and-female-populations/latest/>

30. Process and impact evaluations will be used to assess GBE's delivery against its objectives and its effectiveness. The exact methodology of these evaluations will be determined in the future when these evaluations are being scoped.