

# Energy Act 2023

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By Jack Green-Morgan

## INTRODUCTION

On 26 Oct the Energy Act 2023 became law. Heralded by the government as the largest piece of energy legislation in a generation, it promises to support the UK's transition to net zero, make the energy system more efficient, improve energy security, and help ensure consumers' bills remain affordable in the long term. Industry bodies have broadly welcomed the act, saying it will lay the foundation for a modernized and low-carbon energy system underpinned by renewable generation.

This Dods Political Intelligence report provides a one-stop guide to the new legislation, including a breakdown of its key elements and background, and some political and stakeholder reaction.

## KEY ELEMENTS AND BACKGROUND

The [Energy Act 2023](#), billed as the most significant piece of legislation for the sector in a generation, aims to strengthen UK energy security, support the shift to net zero, and help keep energy costs down for consumers. The government has said the new measures will help fuel £100bn of private sector investment and support around 480,000 jobs by 2030.

The legislation follows calls for significant change to the energy system after the rapid rise in natural gas prices from late 2021 - driven by a post-Covid recovery in demand and then Russia's invasion of Ukraine - fuelled a sharp spike in consumer energy bills.

The government set out its vision for decarbonising the UK's energy system and improving the UK's energy security in the March 2023 [Powering Up Britain strategy](#), which brought together the [Energy Security Plan](#) and [Net Zero Growth Plan](#). It said that improving energy security "necessarily entails the smooth transition to abundant, low-carbon energy," and that "energy security and net zero are two sides of the same coin".

The measures in the Energy Act aim to deliver on the commitments in these strategies.

The key elements of the Energy Act include:

### Nuclear

- Establish [Great British Nuclear](#) "to facilitate the design, construction, commissioning and operation of nuclear energy generation projects" and help reach the target of 24GW of nuclear generation by 2050.
- Clarify the regulatory regime for nuclear fusion energy facilities by removing the requirement for a nuclear site license for a fusion energy facility.
- Remove barriers to future investment in nuclear by enhancing the third-party liability regime.
- Clarify that geological disposal facilities deep below the seabed will be licensed and bring forward the final delicensing and re-use of nuclear sites, to support the cost-effective clean-up of nuclear sites.
- Enable the Civil Nuclear Constabulary to utilise their expertise in deterrence and armed response to support the security of other critical infrastructure sites.
- Bring the Nuclear Decommissioning Authority pensions in line with most of the public sector.



## Offshore Wind

- Establish an Offshore Wind Environmental Improvement Package to deliver strategic compensation and introduce a new Marine Recovery Fund.

## Oil, Gas & CCUS

- Introduce measures for downstream oil security to prevent disruption, including protection from industrial action and malicious protest.
- Ensure responsible ownership of oil, gas and carbon capture, usage and storage (CCUS) assets by giving the North Sea Transition Authority the power to require information about changes in control of license holders.
- Allow the government to recover costs associated with regulation and decommissioning of the oil and gas industry, in line with the “polluter pays” principle.
- Introduce business models and long-term revenue certainty for CCUS.

## Hydrogen

- Enable the scale up of CO2 and hydrogen transport and storage networks, through the establishment of regulation and licensing frameworks.
- Enable the delivery of a large village hydrogen heating trial by 2025.

## Ofgem

- Amend the Office of Gas and Electricity Markets’ (Ofgem) duties to include consideration of how its decisions can support the UK’s net zero target and the carbon budgets.
- Appoint Ofgem as the new regulator for heat networks and enable heat network zoning in England to accelerate deployment.

## Manufacturing and Industry

- Deliver on the ‘British Industry Supercharger’ and ensure that Energy Intensive Industries (EII) remain profitable by compensating them for a portion of their network charging costs.

## Low-Carbon Heating

- Introduce a “low-carbon heat scheme” to scale-up heat pump manufacturing and installation through market-based mechanisms.

## Low-Carbon Transport

- Accelerate the decarbonisation of UK transport by encouraging the use of low carbon fuels, including carrying out a public consultation on the options for designing and implementing a sustainable aviation fuel revenue certainty scheme.



## Grid and Infrastructure

- Establish an independent Future System Operator (FSO) with responsibilities for efficient planning in both the electricity and gas systems.
- Reduce the amount of cabling, landing points and substations by introducing multi-purpose interconnectors as a licensable activity.
- Remove obstacles to the deployment of energy storage by clarifying it as a distinct subset of electricity generation.

## Energy Retail & Consumer Protection

- Create competition in onshore electricity networks to reduce consumer bills.
- Protect consumers from increasing prices in the event of energy network company mergers, by allowing the Competition and Markets Authority (CMA) to review the mergers.
- Introduce cybersecurity protections for smart appliances.
- In line with revised targets, extend powers associated with accelerating the rollout of smart meters.

## HOW THE ENERGY ACT EVOLVED

During the passage of the Energy Bill, the government introduced various amendments to meet commitments made in the British Energy Security Strategy, including:

- Measures on offshore wind habitat regulations assessment and an offshore wind environmental improvement package.
- A provision on the establishment of an Energy Savings Opportunity Scheme (ESOS).
- Provisions that will bring Nuclear Decommissioning Authority pensions in line with most of the public sector.

Other notable amendments which made it into the Energy Act included:

- The removal of the Hydrogen Levy from energy suppliers in Great Britain, ensuring that within Great Britain only gas shippers face the levy.
- The alteration of Ofgem's duties to include reference to the UK net zero target and the carbon budgets. The concept was introduced by Baroness Hayman (CB peer) and subsequently picked up by the government.

Amendments which were defeated or withdrawn included:

- Ensuring that onshore wind development proposals in England and Wales are permitted to proceed on the same basis as other local infrastructure projects (Labour).
- The introduction of a social energy tariff for vulnerable customers (Labour).
- A ban on new coal mines (Liberal Democrats).

- A ban on flaring in the offshore oil and gas industry (Lib Dems).
- A ban on fracking (Lib Dems).
- Prohibition of new oil and gas developments (Green Party).
- That the Secretary of State consult, report and remove barriers preventing the development of community energy schemes (Baroness Boycott – CB peer).

## REACTION

### Political Reaction

**Energy Security Secretary Claire Coutinho** [said](#):

“The Energy Act is the largest piece of energy legislation in a generation. It will boost investment in clean energy technologies and support thousands of skilled jobs across the country.

It lays the foundations for greater UK energy independence, making us more secure against tyrants like Putin, and helps us to power Britain from Britain.

The Act also supports our new approach to make sure that families don't feel a disproportionate financial burden as we transition to net zero and forms a central part of our efforts to keep people's bills affordable in the long-term.”

**Minister for Nuclear and Networks Andrew Bowie** [said](#):

“The Energy Act is a statement of intent to support a flourishing British nuclear and low-carbon energy sector...The government has listened to industry and modernised our energy legislation, creating the framework for further green growth.”

**Dr Alan Whitehead, Shadow Minister for Energy Security**, [said](#) during the final debate on the Bill in the House of Commons:

“The bill... puts into place many of the essential tools that will enable energy to progress towards a low-carbon, net zero future. The opposition have consistently supported the bill, while endeavouring during its passage to strengthen it in its low carbon mission.”

### Industry Reaction

**Emma Pinchbeck, Chief Executive of trade body Energy UK**, [said](#):

“As the world shifts its focus towards net zero, the energy sector needs long-term certainty to remain internationally competitive and attract private investment. This critical piece of legislation is a welcome step in delivering that confidence by establishing new business models, improved customer protections, and frameworks for investment across the energy sector.

More work remains to establish frameworks that these powers enable, but this Act will be the foundation upon which the new energy system will be built.”

**Ofgem CEO Jonathan Brearley [said](#):**

"We welcome the Energy Act getting Royal Assent. It is the most significant energy legislation for a decade and a world-first in giving us a legal mandate targeting net zero.

It gives Ofgem the powers to drive through the energy transition - unlocking investment, accelerating planning and building the infrastructure the economy needs. This will give us security from volatile world gas markets and end our dependency on fossil fuels.

Consumers have faced a huge number of challenges in recent years, with high energy prices and cost-of-living pressures. The Act will give extra protection for existing and future customers, while powering the journey to net zero at the lowest possible cost to households and businesses."

**Clare Jackson, CEO of Hydrogen UK, [said](#):**

"Today's news is warmly welcomed by the UK's low carbon hydrogen industry, and adjacent sectors who rely on hydrogen for their own decarbonisation journey.

The passing of the Bill has been a priority for the hydrogen industry as it will lay the foundations for the UK's future hydrogen economy, by creating provisions for a Hydrogen Production Business Model, and Hydrogen Transport and Storage Business Models."

**John Pettigrew, CEO of National Grid, [said](#):**

"We welcome the passing of the Energy Act into legislation. This is a crucial next step in delivering a secure, affordable and clean energy future, establishing the needed policy and governance foundations to deliver on the UK's net zero ambitions.

In particular, establishing a Future System Operator will be critical in delivering strategic, whole system energy planning and oversight as we continue to transform our energy infrastructure."

**Frank Gordon, Director of Policy at the Association for Renewable Energy and Clean Technology (REA) [said](#):**

"While there is much more to be done, The Energy Act 2023 is major piece of enabling legislation for our sector and the REA warmly welcomes today's confirmation as law.

The Act provides certainty for investors in both hydrogen and bioenergy with carbon capture and storage (BECCS) – both technologies identified by the Climate Change Committee (CCC) as critical to reaching Net Zero.

While we know that the entire energy transition still faces significant challenges which are currently delaying the roll out of low carbon technologies across all sectors, today's news will be a catalyst for much needed action."

**Lawrence Slade, Chief Executive of Energy Networks Association (ENA) [said](#):**

"As the first piece of dedicated energy legislation in over a decade and the biggest piece of energy legislation in the UK's history becomes law, we are pleased that industry came together to speak as one voice on the challenges and opportunities we face in delivering power sector decarbonisation by 2035 and net zero by 2050.

"Though barriers still remain, notably in our planning system, network operators are continuing to work closely with government and regulator to find effective solutions that will enable us to go further and faster."

**Olivia Powis, UK Director at the Carbon Capture and Storage Association (CCSA) [said](#):**

"To fully capitalise on this opportunity, we encourage the government to commit to timely cluster delivery, a transparent deployment plan to 2035, streamlined permitting processes, a robust supply chain and enhanced public support.

Measures in the new Energy Act will enable us to unlock the full potential of CCUS and further advance our nation toward a cleaner, more sustainable future, helping to ensure the UK's Green Economy has the opportunity to lead the next Industrial Revolution."

## DODS CONSULTANT INSIGHT

"The Energy Act shows a clear direction of travel towards a decarbonised and more efficient power system, with improved energy security and consumer affordability. Industry groups have broadly welcomed the legislation, highlighting the measures to accelerate the deployment of carbon capture, usage and storage, hydrogen, and nuclear, which are all key to the decarbonisation pathway outlined in the UK's Net Zero Strategy and Carbon Budgets. The importance of legislating on these sectors is reinforced by a June 2023 [recommendation of the Climate Change Committee](#), which said that "the UK should ensure that timely policy development and investor clarity in sectors such as CCS, hydrogen and engineered removals is prioritised.

"The creation of the Future Systems Operator (FSO) is an important step for enabling the decarbonisation of the power system. It promises to help to overcome grid connection and infrastructure issues which have acted as a barrier to rapid and efficient deployment of renewable generation. The Act also contains positive measures for consumers by protecting them from being hit by higher bills following a merger of energy network companies. The "low carbon heat scheme" also has the potential to lower the cost of heat pumps for consumers, which could improve uptake and bring energy efficiency benefits to households.

"However, the Energy Act will do little to help accelerate the deployment of onshore wind generation. Despite some relaxation on local consent requirements in September 2023, the government has retained planning rules which treat onshore wind developments differently to other infrastructure, disincentivising investment and slowing deployment. During the passage of the Bill, the government rejected a Labour amendment which would have addressed this issue. Conservative MP Chris Skidmore's Jan 2023 [Independent Review of Net Zero](#) recommended setting up a task force to produce a roadmap for onshore wind deployment and said "for most of the world's population, solar and onshore wind are the cheapest source of new-build power generation."

- Jack Green-Morgan – Dods political consultant for energy and climate change



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