

House of Commons

Business, Energy and Industrial Strategy Committee

Revised (Draft) National Policy Statement for Energy: Government response to the Committee's Ninth Report of Session 2021–22

Fourth Special Report of Session 2022–23

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Business, Energy and Industrial Strategy Committee

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Fourth Special Report

The Business, Energy and Industrial Strategy Committee published its Ninth Report of Session 2021–22, <u>Revised (Draft) National Policy Statement for Energy</u> (HC 1151) on 25 February 2022. The Government response was received on 14 April 2023 and is appended below. The Committee's recommendations are in bold type, the Government response is in plain type.

Appendix: Government Response

Introduction

Energy National Policy Statements (NPSs)

The energy NPSs set out national energy policy and provide the foundations for decision making for Nationally Significant Infrastructure Projects (NSIPs) subject to an application for development consent under s104 of the Planning Act 2008.

Integral to the suite of energy NPSs is a clear need case for the infrastructure and assessment principles, against which applications for development consent are considered. This is set firmly in the context of relevant departmental, and wider government policy objectives and legislative commitments.

The overarching energy NPS (EN-1) sets out the overarching need case and general assessment principles for energy, whilst the energy NPSs for fossil fuels, renewables, gas supply and gas and oil pipelines, electricity networks and nuclear (NPS EN-2 to NPS EN-6) set out technology specific assessment principles.

Alongside the NPSs, there are two associated documents, the Appraisal of Sustainability (AoS) and the Habitats Regulations Assessment (HRA), that consider the potential socioeconomic and environmental impacts that infrastructure would have on the local area, and on Wales and Scotland.

The main purpose of an AoS is to ensure that the likely socio-economic and environmental effects of a NPS, at a national level, are identified, described and evaluated. If there are adverse effects, the AoS recommends options for avoidance and mitigation. The AoS incorporates an assessment which satisfies the requirements of the Strategic Environmental Assessment (SEA) Directive, and the domestic implementing regulations (the SEA Regulations). The Strategic Environmental Assessment Directive aims for a high level of environmental protection and to promote sustainable development. It applies to certain plans that are likely to have significant effects on the environment.

European Parliament and Council Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment. The Strategic Environmental Assessment Directive has been transposed in England by the Environmental Assessment of Plans and Programmes Regulations, SI 2004/1633.

The HRA incorporates an assessment in accordance with requirements of the Habitats Directive and the Wild Birds Directive,² and the implementing regulations (the Conservation of Habitats and Species Regulations 2017 and Conservation of Offshore Marine Habitats and Species Regulations 2017) (the 'Habitats Regulations'). The purpose of the assessment is to consider the impacts on nature conservation sites of designated importance, of constructing and operating new energy infrastructure in line with the policies set out in the energy NPSs.

An extensive process of consultation and parliamentary scrutiny is required before a NPS, and associated documents can be designated.

Draft Energy NPS and public consultation

In the Energy White Paper 'Powering our Net Zero Future³ published in December 2020, the government committed to completing a review of the existing energy NPSs to ensure they reflect current energy policy, and that we have a planning policy framework which can deliver investment in the infrastructure needed for the transition to net zero.

Since the white paper, the government has published two further documents setting out relevant policy. In October 2021 the Net Zero Strategy: Build Back Greener⁴ was published setting out our plan for reducing reliance on fossil fuels and making the transition to low carbon energy consistent with our net zero commitments. In April 2022 the British Energy Security Strategy (BESS)⁵ was published, accelerating the government's ambition for a cleaner, more independent and secure energy system consistent with our net zero target.

Meeting these objectives necessitates a significant amount of energy infrastructure, both large and small.

A public consultation on the draft NPSs was launched on 6 September 2021 and closed on 29 November 2021. There were 175 responses including from members of the public, industry, non-governmental organisations and public bodies.

The principal purpose of the consultation was to identify whether the revised NPSs, as presented, are fit for purpose i.e. whether they provide a suitable framework to support decision making for nationally significant energy infrastructure. Government is publishing its response to this consultation alongside this response.

Having considered the responses to the public consultation and from the Committee, as well as changes in policy since November 2021, the government has made several further changes to the draft NPSs. The government is now re-consulting on the revised draft NPSs where there have been material updates made following the BESS.

The European Council Directive (92/43/EEC) on the Conservation of Natural Habitats and of Wild Fauna and Flora (the Habitats Directive) and Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (Codified version of Directive 79/409/EEC).

³ https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future

⁴ https://www.gov.uk/government/publications/net-zero-strategy

⁵ https://www.gov.uk/government/publications/british-energy-security-strategy/british-energy-security-strategy

Parliamentary scrutiny

As part of the parliamentary scrutiny of the draft energy NPSs, the House of Commons BEIS Committee launched an inquiry on 3 November 2021.

At the same time, it launched a request for submissions of written evidence to provide responses to a list of questions, with a deadline of 26 November 2021. This request received 15 submissions from various stakeholders, including energy companies, industry representative bodies, individuals and environmental groups.

Additionally, the Committee took oral evidence on 7 December 2021 from industry stakeholders and on 18 January 2022 from Greg Hands (then Minister for Energy, Clean Growth and Climate Change, Department for Business, Energy and Industrial Strategy) and Chris Pincher (then Minister for Housing, Department for Levelling up, Housing and Communities).

The Committee published its report on the draft energy NPSs on 25 February 2022.6

The Committee was broadly supportive of the draft energy NPSs and made 13 recommendations. This document contains the government's response to those recommendations and conclusions. The government has accepted some of the Committee's recommendations and has clarified the position where a recommendation has been partially accepted or not accepted.

As part of the parliamentary scrutiny of the draft energy NPSs a debate took place in the Grand Committee House of Lords on 22 February 2022⁷. The motion that the Grand Committee take note of the draft revised energy NPSs laid before the Lords on 11 October 2021 was agreed.

Once the Secretary of State lays the NPS intended for designation before Parliament, there will be a consideration period of 21 sitting days during which the House may agree a resolution to approve or disapprove the NPS.

Government response to BEIS Committee's recommendations

1. We recommend that revised (draft) EN-1 be further amended to make the Government's commitment to net zero more explicit and to provide a clear and unambiguous direction to the Secretary of State to prioritise the importance of climate change in decision-making. (Paragraph 24)

Draft EN-1 already re-affirms the government's commitment to net zero. EN1 sets out that the government's objectives for the energy system to ensure our supply of energy

⁶ https://committees.parliament.uk/work/1602/energy-national-policy-statements/publications/

https://hansard.parliament.uk/Lords/2022-02-22/debates/5EE2D484-5E06-4320-AAB1-2C4DA951C84F/ RevisedEnergyNationalPolicyStatements

always remains secure, reliable, affordable, and is consistent with meeting the UK net zero target by 2050 for a wide range of future scenarios, including through delivery of our carbon budgets and Nationally Determined Contributions.⁸

Under the Planning Act 2008, the relevant Secretary of State must have regard to the desirability of mitigating and adapting to climate change when carrying out a review of a National Policy Statement.

The UK's climate change framework sets the overall level of ambition with the government determining how best to balance emissions reductions across the economy. Any net emissions increase from a particular policy or project is managed within the government's overall strategy for meeting our carbon budgets and the net zero target for 2050 under the Climate Change Act 2008, as part of an economy-wide transition.

2. We recommend that revised (draft) EN-1 provides clearer direction in favour of the presumption of the delivery of new energy infrastructure required to deliver net zero. We recommend that revised (draft) EN-1 explicitly sets out that the NPS takes precedent over any other conflicting local or statutory bodies' planning policies. We further recommend that the Government work closely with those local and statutory authorities, to make sure that their planning principles are more broadly in line with the UK Government's commitment to deliver net zero. (Paragraph 25)

Please note the response to Recommendation 1 responds to the first sentence of Recommendation 2 regarding clearer direction in favour of new energy infrastructure to deliver net zero.

Given the level and urgency of need for new energy infrastructure covered by the energy NPSs set out in Part 3 of draft EN-1, the Secretary of State will start with a presumption in favour of granting consent to applications for energy NSIPs. That presumption applies unless any more specific and relevant policies set out in the relevant NPS indicate that consent should be refused. The presumption is also subject to the provisions of the Planning Act 2008.

In the BESS, the government concluded that there is an urgent and critical need for the provision of new nationally significant offshore wind infrastructure and related onshore and offshore network infrastructure and reinforcements to achieve our energy objectives.

Draft EN-1 has been updated to introduce a new policy presumption known as a critical national priority (CNP) for offshore wind, and supporting onshore and offshore network infrastructure, and related network reinforcements and this is being consulted on in the document published alongside this response.

This new policy means that, subject to any legal requirements, the urgent need for offshore wind to achieving our energy objectives, together with the national security, economic, commercial, and net zero benefits, will in general outweigh any other residual impacts not capable of being addressed by application of the mitigation hierarchy.

Nationally Determined Contribution, is a climate action plan to cut emissions and adapt to climate impacts. Each Party to the Paris Agreement is required to establish an NDC and update it every five years. On 12 December 2020, the UK communicated its new Nationally Determined Contribution (NDC) under the Paris Agreement to the United Nations Framework Convention on Climate Change (UNFCCC). The NDC commits the UK to reducing economy-wide greenhouse gas emissions by at least 68% by 2030, compared to 1990 levels

It is already the case that NPSs takes precedence over local policies for NSIPs. The Planning Act 2008 also requires that, where an NPS has effect, the Secretary of State must decide an application for energy infrastructure in accordance with the relevant NPS.

The Secretary of State may consider other factors as important and relevant to their decision-making including Development Plan documents or other documents in the Local Development Framework. If there is any conflict between these or any other documents and an NPS, the NPS prevails for the purpose of decision-making given the national significance of the infrastructure.

3. If the Government's targets set for renewables are not to be included within the NPS planning regime, the link between those targets and planning principles must be made explicit in respect of each technology or generation capacity, so that they are clearly understood by planning authorities and industry to facilitate the delivery of renewable energy infrastructure projects. (Paragraph 31)

EN-1 and EN-3 are clear about the urgent need for all types of renewable electricity generation infrastructure. Where there are government's ambitions for certain types of renewable generating infrastructure these are also included within the NPS and have been updated to reflect current policy following the BESS.

In addition, new text has been proposed in draft EN-3 published alongside this response (and EN-1 and EN-5 where relevant) setting out the Critical National Priority for offshore wind infrastructure. This seeks to provide clarity on the need for additional offshore wind infrastructure, at pace, to meet our ambition to deliver up to 50GW of offshore wind by 2030, including up to 5GW of floating wind.

4. We recommend that before the final version of the revised NPS for Energy is laid before Parliament it is further updated to bring it in line with current policy, especially, for example, on the Government's plans for hydrogen and Carbon Capture and Storage. It would be a missed opportunity if the revised (draft) NPS was not fully up to date and in line with current Government policy on energy. (Paragraph 34)

We have updated the draft EN-1 to reflect the BESS, Net Zero Strategy, Hydrogen Strategy, and government's ambitions for Hydrogen and Carbon Capture Use and Storage (CCUS). CCUS and Hydrogen are nascent technologies in the early stages of development and for this reason we do not want the NSIP regime to inadvertently stifle growth and development. We have been clear that as the evidence base evolves, further guidance will be provided to allow timely implementation of policy relating to low carbon hydrogen, CCUS and other infrastructure necessary for the transition to net zero.

5. We therefore recommend the clear alignment of the NPS with specific technology roadmaps. The Government should develop technology roadmaps with industry where they don't yet exist. Explicit and clear cross-references would help to provide clarity both in terms of policy and planning required to encourage innovation and promote the scaling-up of new technologies. (Paragraph 37)

The government has published a number of technology roadmaps that seek to support and promote the scaling up of new technologies, where relevant these have been referenced in the draft energy NPSs.

Examples of technology roadmaps associated with these include:

- The Hydrogen Strategy⁹ published in August 2021 set out a 2020s roadmap setting out the government's vision for how it expects the hydrogen economy will develop and scale up over the course of the decade, and what may be needed to enable this, framing the detail set out in the strategy. This was developed in collaboration with industry through the Hydrogen Advisory Council. While it is not a critical path it is intended as a shared understanding and guide for what government and industry need to do during the 2020s to deliver our 2030 ambition and position the hydrogen economy for ramp up beyond this for CB6 and net zero.
- The CCUS investor roadmap¹⁰ (April 2022) and CCUS supply chains roadmap¹¹ (May 2021) sets out how government and industry can work together to harness the power of a strong, industrialised UK CCUS supply chain, while ensuring that the CCUS sector as a whole remains investible, cost effective and focused on delivery.
- The Biomass Policy Statement¹² published in November 2021 set out the strategic aims for the role of biomass across the economy in the short, medium, and long term in achieving our net zero target.

Further roadmaps will be developed as required.

6. We recommend that the Energy NPS is reviewed every five years. (Paragraph 41)

It is for the relevant Secretary of State concerned to consider whether and when to take forward any review under section 6 of the Planning Act 2008.

The factors considered in carrying out the review will depend on the individual facts and circumstances which the Secretary of State considers make the review appropriate, but may include things such as significant changes to social, environmental and/or economic data, and wider policy relevant to an energy NPS.

The exact timing of a review will depend how specific circumstances apply to the energy National Policy Statements, but in accordance with Department for Levelling Up, Housing and Communities (DLUHC) non-statutory guidance published in 2021,¹³ DESNZ will make a public announcement on whether a review is required at least every 5 years.

7. We recommend that the Department for Business, Energy and Industrial Strategy work with the Department for Levelling Up, Housing and Communities to consider the potential merits of implementing a single National Policy Statement across sectors with sub-sector statements linked to different technology developments. Consideration of this change should be assessed in the light of flexibility and the ability to review parts of the

⁹ https://www.gov.uk/government/publications/uk-hydrogen-strategy

¹⁰ https://www.gov.uk/government/publications/carbon-capture-usage-and-storage-ccus-investor-roadmap

¹¹ https://www.gov.uk/government/publications/carbon-capture-usage-and-storage-ccus-supply-chains-a-roadmap-to-maximise-the-uks-potential

https://www.gov.uk/government/publications/biomass-policy-statement-a-strategic-view-on-the-role-of-sustainable-biomass-for-net-zero

https://www.gov.uk/guidance/planning-act-2008-guidance-on-the-process-for-carrying-out-a-review-of-existing-national-policy-statements

NPS more frequently. The Secretary of State for Business, Energy and Industrial Strategy should write to this Committee no later than February 2023 with the conclusions of this review. (Paragraph 46)

At present, the government has no plans to create a single NPS for Infrastructure as part of its reforms of the NSIP process.

Our strategies for infrastructure investment and performance are set out in the National Infrastructure Strategy (NIS)¹⁴ and Transforming Infrastructure Performance: Roadmap to 2030.¹⁵ The NIS includes ambitious reforms to the planning system for NSIPs. Proposed infrastructure investments during the next decade are set out in the National Infrastructure and Construction Pipeline 2021 (the Pipeline), which identifies a pipeline of projects with a value of over £600 billion. The Pipeline is updated on a regular basis.

The government considers that the higher priority in the short term, and to support the delivery of its NSIP reforms, is to make sure that the policy framework for those infrastructure fields covered by the Planning Act 2008 is kept up-to-date and reflects wider government priorities, and that future changes and potential reviews to NPSs can be done quickly and efficiently by the relevant departments. This will provide a relevant and robust policy framework for the pipeline of projects forecasted to enter the NSIP system in the coming years. DLUHC, working with the Planning Inspectorate and other relevant departments, will however consider the merits and possibility of consolidating NPSs over the longer term. DLUHC want to make them more agile and seek to reduce the burden on departments of producing policy which is cross-cutting across all NPSs and sectors.

8. As noted above, we recommend that the revised (draft) NPS, both EN-1 and EN-2, be updated to take into account the Hydrogen Strategy. (Paragraph 49)

The government accepts the Committee's recommendation. In line with government ambitions, the need for hydrogen in our energy system is set out in section 3.4 of EN-1.

As noted above in the government's response to Recommendation 4, we have updated the draft EN-1 to reflect the BESS, Net Zero Strategy, Hydrogen Strategy, and government's ambitions for Hydrogen and CCUS. The structure of the NPSs means this reads across to EN-2 and as such amendments to EN-2 are not needed.

9. In this context, we recommend that the Government consider the inclusion of onshore wind within the NSIP planning regime. (Paragraph 57)

Government agrees that onshore wind is an important part of the energy mix, accounting for around a quarter of installed renewable capacity in the UK. As set out in the Energy White Paper and Net Zero Strategy, a low-cost net zero system of the future will be predominantly comprised of wind and solar. To achieve this, we will require a sustained increase in locally supported onshore wind to 2030 and beyond, alongside other renewables such as solar and offshore wind. We have included onshore wind in the latest Contracts for Difference auction and expect to include it in future rounds. The Contracts

¹⁴ https://www.gov.uk/government/publications/national-infrastructure-strategy

¹⁵ https://www.gov.uk/government/publications/transforming-infrastructure-performance-roadmap-to-2030

for Difference Scheme is the government's main mechanism for incentivising large-scale renewable electricity generation and from 2023 auctions take place annually, helping to speed up renewable deployment.

The requirement for additional onshore wind is set out clearly in the overarching need case for new electricity generating infrastructure in the draft EN-1. However, to strengthen local decision making, onshore wind was removed from the NSIP regime in 2016 through amendments to the 2008 Planning Act. This means that all planning applications for onshore wind turbines in England are made to the Local Planning Authority (or to the Welsh Government in Wales).

The Government confirmed on 6 December 2022 that local councils will remain responsible for onshore wind applications, continuing to ensure that local communities are at the heart of decisions on onshore wind. Decisions on onshore wind sites will continue to be made at a local level as these are best made by local representatives who know their areas best and are democratically accountable to the local community.

Alongside this, the Government committed to consult on proposed changes to the National Planning Policy Framework, exploring how local authorities can demonstrate local support and respond to views of their communities when considering onshore wind development in England. The consultation will also consider how the planning framework best encourages the upgrading of existing wind farms.

Separately, the Government will consult on developing local partnerships for supportive communities who wish to host new onshore wind infrastructure in return for benefits, including lower energy bills.

10. We recommend that revised (draft) EN-4 includes explicit and precise wording on hydrogen, Carbon Capture and Storage and other technologies that will more clearly demonstrate how the move away from fossil fuels will be achieved. This must specifically include reference to the infrastructure required, for example for the transmission of CO2, and not just the specific types of technology used at source, such as Carbon Capture. (Paragraph 63)

Draft EN-1 establishes an urgent need for hydrogen and CCS infrastructure and, in contrast to the existing EN-1, makes clear provision for new and emerging technologies.

Draft EN-4 makes clear that policies and strategies are currently being developed to assist in establishing the pipelines and infrastructures that would be required to fully support the requirements for hydrogen and CCUS. As the evidence base evolves, further guidance will be provided to allow timely implementation of policy relating to low carbon hydrogen, CCUS and other infrastructure necessary for the transition to net zero.

No further amendments are required to draft EN-4 at this time.

11. We also recommend that the NPS include language on maintaining the resilience of fossil fuel infrastructure that will remain in use up to 2035, in line with existing Government policy. (Paragraph 64)

The government accepts the Committee's recommendation and has included a new paragraph 1.1.4 in draft EN-4 setting out that given the continued need for natural gas

leading to 2050 (and potentially beyond) applications can be made in line with current policies to enable the development of relevant natural gas supply infrastructure and oil and gas pipelines to help maintain natural gas resilience.

In addition, draft EN-1 already makes clear the need case for new nationally significant gas and oil infrastructure to ensure safe and secure supplies as we transition to net zero.

12. We recommend that EN-5 is updated to reflect the outcome of the Offshore Transmission Network Review (OTNR). We understand the revised Energy NPS is expected to be laid before Parliament before the OTNR is due to be completed. The Department should consider how the potential outcome of the OTNR should be reflected in revised EN-5, but without causing significant delay to the publication of the revised NPS. (Paragraph 69)

We agree with the importance of EN-5 reflecting the work of the Offshore Transmission Network Review (OTNR) and have updated the NPS to reflect the work undertaken under the OTNR and particularly the need for transmission to be more co-ordinated. This includes co-ordination of offshore-onshore transmission and with the wider onshore network.

Draft EN-5 has been updated to reflect the work of all of the OTNR's workstreams and particularly the short and medium term workstreams known as 'Early Opportunities' and 'Pathway to 2030' respectively. We have also included a specific reference to the Holistic Network Design prepared by National Grid Electricity System Operator under the OTNR and published in July 2022. These updates were part of our BESS commitments

As the OTNR's work is continuing it is possible that further planning policy guidance may be needed to reflect additional outcomes in due course. The approach being proposed should ensure the OTNR will not in any way delay the publication of the revised NPS and is as up to date and future proofed as possible.

Furthermore, following publication of BESS, we are now consulting on a new policy presumption known as an CNP for offshore wind, which includes supporting onshore and offshore network infrastructure, and related network reinforcements.

13. We recommend that Ministers consider whether reference to undergrounding should be extended to include application in areas where network resilience, for example to extreme weather events, is considered more likely in the future. We ask that Ministers write to this committee no later than July 2022 with its conclusions. (Paragraph 72)

The committee is right to highlight the importance of network resilience. The transmission network is designed and managed to ensure it is protected from potential risks, such as adverse weather events, and runs at approximately 99.99% reliability. Because of this, recommending undergrounding of transmission network infrastructure within draft EN-5 on the basis of resilience would be unnecessary, and it could slow the delivery of critical infrastructure required to meet net zero targets. Additionally, this would ultimately need to be paid for through consumer energy bills and undergrounding can cost up to 10 times more than overhead lines.

The storms experienced in the UK at the end of 2021 have not caused many issues on the transmission network, with the impact overwhelmingly being on the lower voltage distribution networks.

The NSIP regime does not have a significant bearing on the distribution network. Draft EN-5 provides guidance for infrastructure being built above 132kV (and over 2km), which covers the transmission network and only small parts (less than 5%) of the distribution network.

The Energy Emergencies Executive Committee's review into these storms was published on 9 June 2022¹⁷ and covers both electricity transmission and distribution. The final report sets out a range of actions to improve the resilience of the electricity system from future storms, and improvements to ensure customers quickly receive compensation payments. An implementation group has been established, to oversee and scrutinise the delivery of each action and its associated outcomes.

Great Britain's electricity infrastructure is highly resilient and designed to operate in hot weather.

In the event that energy infrastructure is impacted by extreme heat, the energy sector has long-standing plans and procedures to respond and repair any damage to the infrastructure.