

SCHEDULES

SCHEDULE 2

Section 9

THE ENERGY AND ENVIRONMENT PRINCIPLES

Aim of subsidies in relation to energy and environment

- A Subsidies in relation to energy and environment shall be aimed at and incentivise the beneficiary in—
- (a) delivering a secure, affordable and sustainable energy system and a well-functioning and competitive energy market, or
 - (b) increasing the level of environmental protection compared to the level that would be achieved in the absence of the subsidy.

Subsidies not to relieve beneficiary from liabilities as a polluter

- B Subsidies in relation to energy and environment shall not relieve the beneficiary from liabilities arising from its responsibilities as a polluter under the law of England and Wales, Scotland or Northern Ireland.

Subsidies for electricity generation adequacy, renewable energy or cogeneration

- C (1) Subsidies for electricity generation adequacy, renewable energy or cogeneration—
- (a) shall not undermine the ability of the United Kingdom to meet its obligations under Article 304 of the Trade and Cooperation Agreement (provisions relating to wholesale electricity and gas markets),
 - (b) shall not unnecessarily affect the efficient use of electricity interconnectors provided for under Article 311 of the Trade and Cooperation Agreement (efficient use of electricity interconnectors), and
 - (c) shall be determined by means of a transparent, non-discriminatory and effective competitive process.
- (2) But a non-competitive process may be used to determine a subsidy for renewable energy or cogeneration if appropriate measures are put in place to prevent overcompensation and—
- (a) the potential market supply is insufficient to ensure a competitive process,
 - (b) the eligible capacity is unlikely to have a material effect on any of the following—
 - (i) competition or investment within the United Kingdom,
 - (ii) trade between the United Kingdom and any country or territory outside the United Kingdom, and
 - (iii) investment as between the United Kingdom and any country or territory outside the United Kingdom, or
 - (c) the subsidy is given for a demonstration project.

Status: This is the original version (as it was originally enacted).

- (3) Sub-paragraph (1)(c) is without prejudice to Article 304(3) of the Trade and Co-operation Agreement (capacity mechanisms in electricity markets).
- (4) In this paragraph and paragraph D, “subsidy for electricity generation adequacy” means a subsidy that provides an incentive for a capacity provider to be available in times of expected system stress.
- D Subsidies for electricity generation adequacy may be limited to installations not exceeding specified CO2 emission limits.
- E Subsidies for renewable energy or cogeneration shall not affect beneficiaries’ obligations or opportunities to participate in electricity markets.

Subsidies in the form of partial exemptions from energy-related taxes and levies

- F (1) Subsidies in the form of partial exemptions from energy-related taxes and levies in favour of energy-intensive users shall not exceed the total amount of the tax or levy concerned.
- (2) “Levy” does not include network charges.

Subsidies in the form of compensation for increases in electricity costs

- G Subsidies in the form of compensation for electricity-intensive users given in the event of an increase in electricity costs resulting from climate policy instruments shall be restricted to sectors at significant risk of carbon leakage due to the cost increase.

Subsidies for the decarbonisation of emissions linked to industrial activities

- H Subsidies for the decarbonisation of emissions linked to industrial activities in the United Kingdom shall—
- (a) achieve an overall reduction in greenhouse gas emissions, and
 - (b) reduce the emissions directly resulting from the industrial activities.

Subsidies for improvements of the energy efficiency of industrial activities

- I Subsidies for improvements of the energy efficiency of industrial activities in the United Kingdom shall improve energy efficiency by reducing energy consumption, either directly or per unit of production.