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PRESS RELEASE

ETRI 2023: UK faces some of the biggest challenges in reaching energy transition targets

- Energy Transition Readiness Index (ETRI) 2023 indicates that while the UK has some of the most ambitious targets for 2030, it faces some of the biggest challenges in reaching them
- Energy transition governance and regulation, grid access delays, and unfavourable flexibility markets all contribute to investment uncertainty and hold back the deployment of renewable energy in the UK
- ETRI highlights the recent uncertainty in public and political confidence about the best way to meet net zero economically

A new report has revealed that, while the UK has set ambitious decarbonisation goals and its regulatory alignment to reach net zero is to be commended, current policy priorities appear more focused on short-term political imperatives, leading to increased investment uncertainty.

Investors will be attracted to the UK's energy transition only if they can see patterns of clear governance and regulatory stability emerging, says the report. At present, the signals are simply not strong enough.

The Energy Transition Readiness Index (ETRI) 2023 - produced by the REA (the Association for Renewable Energy and Clean Technology) and sponsored by Eaton and Foresight Group - assesses and compares the electricity markets in 14 European countries. The report finds that the UK has risen slightly in the overall rankings since last year's report, sitting in front of countries such as Germany, Italy, and Switzerland. However, it is lagging behind European countries which have flexibility markets that better deliver fair, transparent, and simple access.

Flexibility is essential to stabilising a high-renewable grid. As coal and gas generation are phased out, national grids must balance the variability of some forms of renewable generation with their country's demand for energy. The best way that countries can achieve high levels of flexibility is by encouraging investment in what are known as demand-side response capabilities such as energy storage. Open markets for flexibility are another critical requirement, and although flexibility markets are developing in the UK, progress is by no means sufficiently extensive or fast enough.

Overall, respondents to the survey that underpins the report considered that progress towards the energy transition in the UK would accelerate faster if equivalent measures to the US Inflation Reduction Act had been introduced. The REA reiterates that the long-term financial impact of slowing the energy transition will be severe.

ETRI 2023's key recommendations are for all assessed countries to create an open market for flexible low-carbon assets, allowing these to compete fairly with carbon-intensive assets, and lead on demand-side reform:

- Identify future low carbon flexibility needs
- Prioritise and accelerate flexibility market reforms
- Urgently address technology and process barriers

Chris Tanner, Partner at Foresight Group and Chair of the REA Finance Forum said:

"It is encouraging to see the progress observed across various European countries in both the renewables build out and the associated flexibility requirements. These improvements underscore that, with the right policy environments the UK, and Europe as a whole, have the potential to attract significant investment in the energy transition.

"This, in turn, positions them to bridge the flexibility gap and successfully deliver high-renewable grids by 2030, showcasing a promising trajectory for the future of sustainable energy."

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

"It is welcome that the UK has some of the most ambitious decarbonisation goals, however UK policy must shift away from prioritising the short term, if we are to meet these targets and increase investment certainty.

"Furthermore, with a 132TWh clean energy generation ambition by 2030, this considerable growth will need to be accompanied by comparable growth in flexibility resources. If these renewable and flexibility resources are not available, then UK decarbonisation targets may not be met, leading to higher costs to consumers.

"During last year's publication of ETRI 2022, we welcomed the Government's warm rhetoric but called for significant action. This year we reiterate the urgent need for action, but do not have the luxury of such Government warm words. Recent rolling back on some green policies in the UK has seen a decline in both public and political confidence regarding the energy transition as illustrated in the report.

"Significant action from the Government to remove the barriers facing our industry is essential: proper long-term planning; prioritising and accelerating market reforms; and urgently addressing current investment barriers - all are desperately needed to help put the UK on the right path.

"The REA continues to urge all political parties to pull the levers to accelerate the UK's energy transition readiness. With the right policy and regulatory environment, the Government can ensure that we do not fall behind."

Siobahn Meikle, Managing Director for Eaton UK and Ireland, said:

"This year's survey shows the challenge that the UK's 2030 decarbonisation goals present in terms of the demand-side flexibility required. The good news is that the country is well placed to attract that investment. The UK has scored 15% higher on average for 'investor attractiveness' since the survey started in 2019.

"There is clear progress - policy initiatives underpin a steady rollout of EV charging infrastructure, 55% of UK homes now have a smart meter, and flexibility markets are opening up, but the government still has work to do to set out the long-term policies that will consolidate investor confidence and attract all the investment needed."

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Notes to Editors:

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About Foresight Group Holdings Limited

Foresight Group was founded in 1984 and is a leading listed infrastructure and private equity investment manager. With a long-established focus on ESG and sustainability-led strategies, it aims to provide attractive returns to its institutional and private investors from hard-to-access private markets. Foresight manages over 400 infrastructure assets with a focus on solar and onshore wind assets, bioenergy and waste, as well as renewable energy enabling projects, energy efficiency management solutions, social and core infrastructure projects and sustainable forestry assets. Its private equity team manages eleven regionally focused investment funds across the UK and an SME impact fund supporting Irish SMEs. This team reviews over 2,500 business plans each year and currently supports more than 250 investments in SMEs. Foresight Capital Management manages four strategies across seven investment vehicles.

Foresight operates in eight countries across Europe, Australia and United States with AUM of £12.1 billion*. Foresight Group Holdings Limited listed on the Main Market of the London Stock Exchange in February 2021 and is a constituent of the FTSE250 index. https://www.foresightgroup.eu/shareholders

*Based on unaudited AUM as at 30 September 2023.