



## Department for International Trade

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1 July 2022

Dear Executive Vice President Dombrovskis,

### **DS612 United Kingdom – Measures Relating to the Allocation of Contracts for Difference in Low Carbon Energy Generation**

I am writing in regard to DS612 concerning the UK's Contracts for Difference (CfD) scheme. This is following on from the consultations held on 18-19 May 2022 in Geneva. The UK delegation was pleased to attend these consultations and provide further information on the CfD scheme.

I have set out below some clarifications, without prejudice to the rights and obligations of the UK under the WTO Agreements.

The UK has a world-leading Net Zero agenda, and we are committed to a fully decarbonised electricity system by 2035. As you know, the CfD programme is the UK Government's main mechanism for supporting new low carbon electricity generation and it is fundamental to achieving the UK's ambitious commitment to reach Net Zero by 2050. Bringing forward more low carbon generation is essential for reducing our reliance on and exposure to volatile fossil fuel markets and having competitive, efficient and innovative supply chains are essential to achieving this vitally important objective.

#### **Allocation Round 4**

In 2021, we introduced changes to the CfD Supply Chain Plan policy for Allocation Round 4 to align the objectives of the policy further with the UK's Net Zero objectives. As part of those changes, the UK Government introduced Question 1.1 to the "Green Growth" section of the Supply Chain Plan Questionnaire.

We intend to publish additional guidance for Generators that confirms how Question 1.1 will be scored at the implementation stage.

Any data provided on anticipated levels of UK content in response to Question 1.1(i) will be used for information purposes only and will not be scored. Question 1.1(ii) will be scored irrespective of the origin of suppliers and irrespective of any indicated anticipated levels of UK content. Accordingly, in the event that Generators indicate no or a low percentage of UK content, this will not affect the score received for Question 1.1, including the response to Question 1.1(ii).

This additional guidance will further confirm to successful Allocation Round 4 Generators that, when carrying out the implementation assessment, BEIS is looking for evidence that, when narrowing down their supply chain choices, Generators have carefully studied and understood the options available in the supplier market, and the extent to which the suppliers chosen, whether in the UK or other countries, contribute to increasing the capacity, capability and efficiency of supply chains. Generators can choose their suppliers, regardless of the origin of the supplier, from the UK or other countries. It also clarifies that Generators may make changes to their original procurement strategy, so long as they continue to contribute to the objectives of the supply chain policy and in line with the explanations above.

We would also be pleased to provide further clarification to successful Generators as to how Supply Chain Plans will be monitored throughout the process and how applications for an Implementation Statement will be assessed. This will make clear that the percentage of UK content is not relevant to how the delivery of the Generator's procurement strategy commitments are monitored and assessed at the implementation stage.

In particular, the anticipated level of any UK content Generators may have provided in response to Question 1.1(i) at application stage is not seen as a commitment and so will not be assessed as the project is implemented. Accordingly, Generators are not required to meet the percentage of UK content indicated in the Supply Chain Plan Questionnaire to be awarded an Implementation Statement. Generators will not be penalised purely for choosing non-UK suppliers if they had originally envisaged using UK suppliers in their Supply Chain Plan application, and vice-versa, and they do not have to provide any reasons related to the origin of suppliers to justify their choice of a non-UK supplier over a UK supplier, or vice versa. This additional guidance, as attached to this letter, was published on 1 July 2022 and we will write to successful applicants to ensure they are aware that additional guidance has been published.

## **Allocation Round 5**

BEIS launched a first consultation on changes to the Supply Chain Plan process for Allocation Round 5 in February 2022. On 3 May 2022, BEIS published its response to that consultation. This confirmed that for Allocation Round 5, CfD applicants for a generating station with generation capacity of 300MW or more and all floating offshore wind generating stations, will be required to provide the Delivery Body (National Grid ESO) with a Supply Chain Plan Statement of Approval.

On 3 May, BEIS also published a further consultation on the proposed changes to the Supply Chain Plan Questionnaire for Allocation Round 5 on the UK Government's official website, gov.uk.

In that consultation we proposed changes to the Supply Chain Plan Questionnaire, which are intended to make the Questionnaire clearer and more streamlined. It explains that any data provided on any anticipated levels of UK content will be used for information purposes only (it will form part of the section on "key statistics"), and it will not be scored.

Any data provided regarding the percentage of any UK content is also not relevant to how the delivery of procurement strategy commitments are assessed at the monitoring and implementation stage. Accordingly, Generators will – as is the case under Allocation Round 4 - have full freedom to choose between UK and non-UK suppliers, without the need to justify, as regards the origin of the supplier, these choices or any subsequent modifications. The consultation closed on 14 June, and we are currently analysing the consultation responses and finalising changes to the Questionnaire. Any changes which are adopted will be implemented going forward for Allocation Round 5, which is due to open in March 2023.

### **Future CfD allocation rounds**

The UK Government confirms that data on the level of UK content under the CfD scheme referred to by the EU in its Request for Consultations, including in connection with future CfD allocation rounds, will continue to be requested purely for information only, in keeping with the UK's WTO obligations.

Best wishes,

A handwritten signature in black ink, reading "Anne Marie Trevelyan". The signature is written in a cursive style with a horizontal line underneath the name.

**THE RT HON ANNE-MARIE TREVELYAN MP**  
Secretary of State for International Trade  
& President of the Board of Trade