



Energy Act: Emissions Performance Standard

Issue: The implementation of an Emissions Performance Standard (EPS) to limit the amount of CO₂ emitted by new fossil fuel power stations.

Policy commitment:

The Coalition Programme stated: *“We will establish an emissions performance standard that will prevent coal-fired power stations being built unless they are equipped with sufficient carbon capture and storage to meet the emissions performance standard”*.

The Emissions Performance Standard (EPS) will act as a regulatory backstop on the amount of carbon dioxide emissions from new fossil fuel power stations. The EPS will support the planning policy requirement that any new coal-fired power station must have a proportion of its capacity equipped with Carbon Capture and Storage (CCS)¹, sending a clear regulatory signal that any new coal-fired power station must be constructed and operated in a way consistent with our decarbonisation objectives.

The EPS is set at a level that will not impact on the new gas generation capacity needed to replace older, retiring capacity as we make the transition to a low carbon electricity system. ‘Grandfathering’² the level until 2045, will provide long-term regulatory certainty to investors in new gas generation.

Carbon capture and storage projects will be exempted from the emissions limit duty for a period of 3 years commencing from the start of operation of the CCS system. The exemption is available until end 2027.

Legislative proposal:

The Energy Act sets a statutory limit on the amount of annual CO₂ emissions from new fossil fuel power stations, equivalent to 450g/kWh operating at baseload, and provides flexibility for the limit to be suspended in exceptional circumstances should it be necessary for the purpose of helping to ensure security of supply.

The sections provide for the making of regulations regarding the interpretation of and compliance with the EPS, with a view to basing the arrangements for both monitoring and enforcement on those in place for the EU Emissions Trading System, minimising any regulatory burden. Provision is also made for making regulations applying the EPS regime with modifications in various non-standard scenarios where it may be appropriate to do so (e.g. where an existing coal-fired power station replaces a main

¹ The National Policy Statement for Fossil Fuel Electricity Generating Infrastructure (EN-2) requires that any new coal-fired power plant demonstrate CCS on at least 300MW (net) of the proposed generating capacity as a condition of its consent.

² ‘Grandfathering’ is a term used to describe a feature of the EPS that provides a guarantee to developers that the EPS limit under which a new fossil-fuel power plant is consented will be maintained for that plant until end of 2044.



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boiler, so effectively increasing its technical lifetime for a period consistent with that of a new power station).

Relationship to other legislative proposals:

The EPS will act as a regulatory backstop to limit how much CO₂ new fossil fuel plants can emit, and work alongside the other EMR policies as part of a suite of measures to drive decarbonisation while maintaining security of supply and affordable prices. The EPS will complement the economic signals provided by the Carbon Price Floor and Feed-in Tariff with Contract for Difference.

The Government has committed to review the EPS on a regular basis, and by way of an amendment made in the Commons the EPS will form part of the statutory review of EMR policies to be carried out 5-years from Royal Assent.

The Government's intention up to now has been to use the 3-yearly statutory review of progress with decarbonisation under Section 5 of the Energy Act 2010 as a vehicle for reviewing the EPS.