



## Department of Energy & Climate Change

### **Energy Act: Investment Contracts**

**Issue:** Avoiding a hiatus in investment in low carbon electricity generation ahead of full implementation of electricity market reforms.

#### **Policy commitment:**

The Government is committed to helping investment come forward in advance of the Contract for Difference (CfD) regime being put in place as part of Electricity Market Reform (EMR). The Government recognises that uncertainty during the implementation of changes to the market under the EMR programme could lead to some low carbon generation projects being delayed or indefinitely postponed. The Government is committed to working with relevant developers through the 'Final Investment Decision Enabling' (FID enabling) process, which is open to low carbon generation projects.

#### **Legislative proposal:**

Schedule 2 of the Energy Act contains provisions that enable the Secretary of State to give effect to investment contracts with developers. Investment contracts are a transitional measure and must be entered into on or before 31 December 2015 (or earlier if certain CfD regulations come into force before then).

The provisions in the Energy Act relating to investment contracts include:

- a power and (in certain circumstances) a duty to transfer investment contracts to a CfD counterparty once that has been designated and CfD regulations are in force;
- authorisation for the Secretary of State to fund payments under investment contracts (in case they are not transferred to a counterparty, if for example the main EMR regime does not come into force), and regulation-making powers to require suppliers to fund them (whether or not transferred);
- a requirement for investment contracts to be laid before Parliament, and for the payment obligations in them to be conditional on enactment of the Bill (if entered into before this).

#### **Relationship to other legislative proposals:**

The provisions in Schedule 2 on investment contracts have similarities to those in Chapter 2 of Part 2 of the Energy Bill under which the regime for CfDs would be established.