Department of Energy & Climate Change

DECC mid-year report to Parliament: April to September 2014

Stephen Lovegrove, Permanent Secretary

December 2014

Any enquiries regarding this publication should be sent to us at emily.briggs@decc.gsi.gov.uk

This document is also available from our website at www.gov.uk/decc

Contents

Executive Summary

DECC continues to make good progress against its five key priorities set by the Coalition. Electricity Market Reform (EMR) went live in August 2014, with the CfD contracts published later that month. This success was supported by the work completed over the period of April to September 2014, including EMR secondary legislation being laid before the House in July.

Eleven of the thirteen Structural Reform Priorities for the first half of the year have been completed, and two are delayed. This year has seen major progress by DECC on its commitments, including launching the domestic Renewables Heat Incentive (RHI) in April 2014 to provide financial incentives to install renewable heating in single domestic dwellings; and implementing the EU Energy Efficiency Directive, which introduces a requirement for large enterprises to undertake Energy Audits, in time to meet the 05 June 2014 deadline. Table 1 summarises the Department's performance against its Structural Reform Priorities, in line with the Coalition's five key priorities.

On finance, our current expectation is that there will be an underspend of £58m, or 1%, against the Departmental Expenditure Limit of £3.96 billion set at the Main Estimate. The main reasons for the forecast underspend include delays with the Carbon Capture and Storage (CCS) programme and Offshore Wind Manufacturing Scheme projects.

DECC's Annually Managed Expenditure (AME) budgets of £29 billion relate almost entirely to non cash provisions for the estimated lifetime costs of future liabilities for nuclear decommissioning and Contracts for Difference. Provisions are currently being re-assessed for the Supplementary Estimate.

Notable successes across our eleven major projects listed on the Government Major Projects Portfolio (GMPP) include agreement between the Nuclear Decommissioning Authority and developer NuGen on the key commercial terms for Moorside on the New Nuclear Programme in May; and the completion of eight investment contracts for renewable energy projects on the Financial Investment Decision Enabling for Renewables Programme.

The Department, as at 30 September, had a headcount of 1,755 staff. DECC continues to work to raise the profile and supporting activities related to Diversity issues, and the Department's People Survey results have increased by 1%, with an improved response rate of 91%.

Table 1: Activity alignment with Coalition Priorities

Coalition Priority	2013 Objectives	Key Achievements and Challenges April to September 2014
1. Promote UK Growth by: Maximising the benefits of essential investment in energy infrastructure to jobs, the supply chain, and business opportunities in the UK and abroad. Facilitate the sustainable energy investment that drives greater efficiency and maintains a diverse energy mix, thereby protecting UK consumers and businesses from long-term international fuel price volatility and minimising energy costs.	Carry out public consultation on Private Rented Sector legislation (Action: 2.1.ii)	Completed
	Implementation of the EU Energy Efficiency Directive, including the requirement for large enterprises to undertake Energy Audits (Action: 2.5.i)	Completed
	Enable early investment decisions for low carbon projects required ahead of implementation of the Electricity Market Reform programme (Action: 3.1.ix)	Overdue completing[1]
2. Save energy with the Green Deal and other policies and support vulnerable consumers (reduce energy use by households, businesses and the public sector, and help to protect the fuel poor)	2.1.iii. Consult on Energy Company Obligation Phase 2 from April 2015	Completed
	2.3.iii. Use data matching to inform energy companies which of their customers is in receipt of a subset of pension credit, and so must receive an energy bill discount under the Warm Home Discount scheme	Completed
	2.5.i. Implementation of the EU Energy Efficiency Directive, including the requirement for large enterprises to undertake Energy Audits	Completed
3. Deliver secure energy on the way to a low carbon energy future (reform the energy market to ensure that the UK has a diverse, safe, secure and affordable energy system and incentivise low carbon investment and deployment)	3.2.ii. Consult and publish proposals to reform the procedure for gaining underground access to oil or gas deposits, as well as geothermal energy	Completed
	3.3.ii. Publish a UK solar photovoltaics strategy to support solar photovoltaics deployment and growth of the domestic supply chain in the UK	Completed
	3.3.vi. Consult on and bring into force extended support through the Renewable Heat Incentive to additional non-domestic technologies and to the domestic sector	Completed
	3.3.viii. Implement new Renewables Obligation bands for offshore wind	Completed

Coalition Priority	2013 Objectives	Key Achievements and Challenges April to September 2014
	3.4 i Take all the decisions government needs to make in order to facilitate nuclear operators to proceed to a final investment decision on the first new nuclear power station. These include planning consent, agreement on funded decommissioning, regulatory design acceptance and sufficient progress on Electricity Market Reform	Overdue completing[2]
4. Drive ambitious action on climate change at home and abroad (work for international action to tackle climate change, and work with other government departments to ensure that we meet the UK carbon budgets efficiently and effectively)	4.1.i. Put forward UK proposals to the European Commission for a cost-effective trajectory to 2050 and influence the Commission's Communication on the EU's post-2020 climate and energy framework. As part of this continue to make the case for the EU to increase its 2020 emissions reduction target to 30%	Completed
	4.1.ii. Publish the UK vision for Phase IV of the European Union Emissions Trading System, following informal consultation with stakeholders, to inform negotiations with the European Commission and other EU member states	Completed
5. Manage our energy legacy responsibly and cost-effectively (ensure public safety and value for money in the way we manage our nuclear, coal and other energy liabilities)	There are no structural reform actions that relate to this Coalition priority, although this remains a high priority for the department. DECC's Arm's Length Bodies are responsible for delivery and reporting, notably the Nuclear Decommissioning Authority. Aspects of the NDA's performance are reflected in the indicators in Annex A.	Not applicable

[1] Government has made significant progress in enabling early investment decisions for low carbon projects prior to the implementation of EMR. For nuclear, this includes reaching, in principle, agreement on the Heads of Terms for a strike price for Hinkley Point C (October 2013) with further work in progress to finalise the contract by the end of 2014. For renewables, eight renewable electricity projects were awarded investment contracts (early Contracts for Difference) in April 2014. These have been signed and were laid in Parliament on 4 June 2014. This is the first support provided under the EMR programme.

[2] Government has made significant progress in facilitating nuclear operators to proceed to final investment decision on the first new nuclear power stations. This includes reaching, in principle, agreement on the Heads of Terms for a strike price for Hinkley Point C (October 2013). The details of the investment contract will conclude the funded decommissioning agreement and the HMT infrastructure guarantee.

Financial

Table 2: Financial Performance

Financial Performance	Resources (£'000)				Capital (£'000)			
	Annual Plan 2014-15	Actual April to September 2014-15	Actual April to September 2013-14	Annual Plan 2015-16	Annual Plan 2014-15	Actual April to September 2014-15	Actual April to September 2013-14	Annual Plan 2015-16
Total Departmental Expenditure Limit (DEL)- Voted	**2,411,614**	**1,056,480**	**965,996**	**2,383,114**	**2,425,405**	**970,069**	**884,242**	**2,614,000**
Save energy with the Green Deal and support vulnerable consumers	373,330	26,688	22,131	369,237	157,400	20,509	5,816	166,000
Deliver secure energy on the way to a low carbon energy future	132,753	52,678	29,126	58,170	254,875	16,577	14,384	266,000
Drive ambitious action on climate change at home and abroad	8,506	2,892	4,605	15,380	220,000	45,000	32496	329,000
Manage our energy legacy responsibly and cost-effectively	323,093	154,293	165,672	305,511	7,875	175	113	-
Deliver the capability DECC needs to achieve its goals	131,466	65,106	61,606	143,201	10,655	422	230	11,000
NDA and SLC expenditure	1,405,655	741,991	668,291	1,461,400	1,766,000	886,214	828,842	1,835,000
Coal Authority (net)	32,936	11,180	12,916	27,916	8,600	1,172	2,361	7,000
Civil Nuclear Police Authority (net)	270	118	-	-	-	-	-	-
Committee on Climate Change (net)	3,603	1,534	1649	2299	-	-	-	-
CFD Counterparty Company (net)	1	-	-	-	-	-	-	-
Electricity Settlements Company (net)	1	-	-	-	-	-	-	-
Total Departmental Expenditure Limit (DEL)- Non Voted	**-872,000**	**-556,184**	**-446,049**	**-1,106,000**	**-1,000**	**-1616**	**0**	**-101,000**
Nuclear Decommissioning Authority Income (CFER)	-872,000	-556,184	-446,049	-1,106,000	-1,000	-1616	-	-101,000
Total	**1,539,614**	**500,296**	**519,947**	**1,277,114**	**2,424,405**	**968,453**	**884,242**	**2,513,000**

Financial Performance	Resources (£'000)				Capital (£'000)			
	Annual Plan Approved by Parliament 2014-15	Actual April to September 2014-15	Actual April to September 2013-14	Annual Plan 2015-16	Annual Plan Approved by Parliament 2014-15	Actual April to September 2014-15	Actual April to September 2013-14	Annual Plan 2015-16
Total Annually Managed Expenditure (AME)- Voted	**29,169,344**	**-105,206**	**-111,575**	**533,723**	**-120,294**	**6,802**	**6,422**	**-76,485**
Manage our energy legacy responsibly and cost-effectively	-200,999	-143,499	-148,228	-210,133	-120,294	-	-	-76,485
Nuclear Decommissioning Authority	336,549	24,996	39,498	309,000	-	-	-	-
Coal Authority (net)	1,000	-9,033	-9,227	4,793	-	-	-	-
Civil Nuclear Police Authority (net)	-178	-118	-	63	-	-	-	-
Renewable Heat Incentive	211,000	22,448	6382	430000	-	3,401	3,211	-
Deliver secure energy on the way to a low carbon energy future	28,821,972	-	-	-	-	3,401	3,211	-

Total	29,169,344	-105,206	-111,575	533,723	-120,294	6,802	6,422	-76,485

Net Cash Requirement	4,911,403	2,189,652	2,046,161	
Of Which Admin	182,520	83,053	83,268	184,939

The following paragraphs provide further information on the main lines in the preceding table.

Departmental Expenditure Limit (DEL):

(1) Save energy with the Green Deal and support vulnerable consumers

£310m of the £373m resource budget relates to the Government Energy Rebate which was announced in the 2013 Autumn Statement as part of a package of measures to assist energy bill payers. A £12 rebate has been paid in November 2014. The budget is expected to be spent in full.

The capital budget of £157m relates mainly to the Green Deal Home Improvement Fund. This budget has been fully allocated and closed to further applications. Applications received are being processed and most will be paid in the second half of the year. The scheme will be re-launched on a smaller scale in November 2014.

(2) Deliver secure energy on the way to a low carbon future

This objective includes programme budget of £67m and capital budget of £113m for the Carbon Capture and Storage Commercialisation programme. We expect to return the capital budget and some of the programme budget at the Supplementary Estimate due to delays in commencing the project. The overall programme is still expected to be delivered within the £1 billion envelope set by the Treasury in CSR 2010 but work will now extend over the next Parliament. Other areas of expenditure (mainly oil and gas activities) are broadly in line with budget at the mid-year point and are expected to spend close to budget over the course of the year.

(3) Drive ambitious action on climate change at home and abroad

The whole capital DEL budget of £220m and most of the programme budget relates to Official Development Assistance (ODA). This budget is disbursed mainly in December so the relatively low expenditure at the mid-year point is in line with plans. As in previous years, the budget will be spent in its entirety.

(4) Manage our energy legacy responsibly and cost effectively

The programme budget relates mainly to contractual commitments to British Energy (£236m) and for the National Concessionary Fuel Scheme (£54m). Payments under both schemes are linked to price indices. We expect an underspend of around £1m on British Energy due to a slightly lower rate of inflation than planned for.

(5) Nuclear Decommissioning Authority and Site Licensing Companies expenditure; Nuclear Decommissioning Authority (NDA) Income

Overall, the NDA is forecasting an under-spend of £10m against its net resource and capital budgets of £2.4 billion/0.4% in 2014/15 and is close to budget at the mid-year stage. The NDA expects to swap around £46m of budget from resource to capital at the Supplementary Estimate.

Annually Managed Expenditure (AME):

(6) Manage our energy legacy responsibly and cost-effectively

Resource AME relates to the unwinding of provisions for historical fuel liabilities in respect of British Energy and concessionary fuel. As resource DEL payments are made, the provision unwinds leading to credits (negative figures) against AME budgets. The precise amounts are dependent upon the Retail Price Index. The budget will be adjusted in line with the latest forecasts at the Supplementary Estimate.

(7) Nuclear Decommissioning Authority (NDPB)

Resource AME budgets set in the Main Estimate relate to non cash depreciation and impairment costs (£50m), and a place-marker figure of £286m for increases to the nuclear decommissioning provision. The NDA undertakes a detailed annual re-assessment of the provision valuation. This work is currently in progress and the outcome is not yet known.

(8) Renewable Heat Incentive (RHI)

Under the RHI scheme, tariffs are payable for 7 years (domestic scheme) or 20 years (non-domestic scheme). This means that expenditure increases month by month as more customers come into the scheme. The domestic scheme was launched in April so expenditure in the first six months of the year is relatively low. RHI expenditure is influenced by factors beyond the Department's control, for example weather conditions. For the year as a whole, the RHI is expected to come within £10m of the central forecast on which the budget is based.

(9) Deliver secure energy on the way to a low carbon future

DECC's 2014/15 Resource AME budget includes a new item for a provision for the fair value of liabilities incurred for Contracts for Difference expected to be signed under the Electricity Market Reform programme, to bring on the next generation of low carbon energy infrastructure. In practice, Government will not bear any costs for Contracts for Difference. They will be met by consumers through levies included in their electricity bills. Because levies are a form of taxation, government accounting rules mean that they cannot be recognised until they are paid.

The contracts which may be concluded during 2014/15 include contracts under the Final Investment Decision Enabling programmes for both Renewables and Nuclear energy, and contracts under the Contracts for Difference regime and CCS Commercialisation programme. The fair lifetime value of all of these contracts, which range from 15 years to 35 years in the case of Hinkley Point C, is currently assessed at £28.8bn. The provision will be kept under review, beginning at the 2014/15 Supplementary Estimate, to reflect utilisation of the provision and any changes in assumptions and in the number of the contracts.

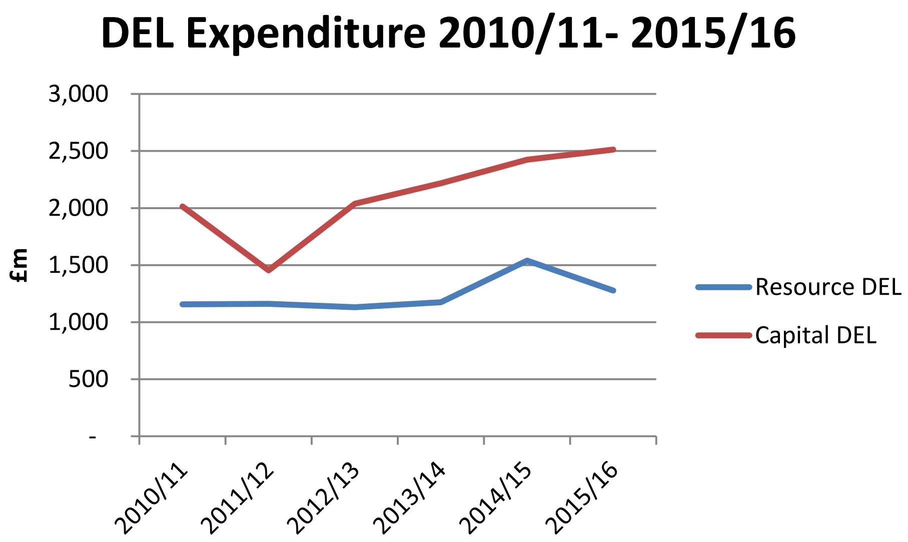
Trend Analysis

The chart below shows DECC's actual expenditure in nominal terms over the last four years and planned expenditure for 2014/15 and 2015/16. **Resource DEL** has been flat up to and including 2013/14, representing a real terms reduction in spending. The peak in **resource DEL** expenditure in 2014/15 is due to the one-off Government Energy Rebate scheme (£310m).

The Department's CSR 2010 settlement for **capital DEL** had an uneven profile which is reflected in expenditure, in particular due to the ODA budget, Green Deal and the NDA. The increase in expenditure in 2014/15 and 2015/16 is mainly due to

£166m additional annual budget agreed in the 2013 Autumn Statement for energy efficiency measures, such as the Green Deal Home Improvement Fund. One-off income from land sales reduced the NDA's capital expenditure in 2011/12 to £1.2bn. Without the benefit of such income in 2012/13, expenditure was higher at £1.5bn.

Trends in AME and levies expenditure are discussed in **Annex B**, together with trends on individual major programmes.



Major Projects

DECC currently has 11 major projects listed on the Government Major Projects Portfolio (GMPP) with a total budgeted whole life cost of around £95 billion (this does not include the programmes which have been exempted under the Freedom of Information (FoI) Act 2000). The table below provides a summary of the status of DECC's major projects.

Table 3: DECC Major Projects in the GMPP[7]

Project Name	MPA RAG rating	Start Date	End Date	2013/2014 Budget (£m)	2013/2014 Forecast (£m)	Total Budgeted Whole Life cost (£m)[8]
Carbon Capture & Storage Commercial-isation Programme	Amber	25/10/2011	31/03/2050	36.60	36.56	Data exempt under Section 43(2) of the FoI (2000)
Dounreay Parent Body Organisation (PBO) - Delivery Phase	Green	21/09/2009	31/12/2025	150.00	158.30	1,578.00
Electricity Market Reform Programme	Data exempt under Section 43 and Section 35 of the FoI (2000)	10/12/2010	31/12/2030	20.41	20.41	66.15
FID Enabling for Hinkley Point C	Data exempt under Section 43 and Section 35 of the FoI (2000)	01/09/2011	01/02/2015	3.97	6.73	13.69
FID Enabling for Renewables	Data exempt under Section 43 and Section 35 of the FoI (2000)	17/12/2012	31/12/2013	1.86	2.84	3.69
Geological Disposal Facility Programme (GDF)	Amber	30/06/2008	31/12/2040	24.00	23.74	11,626.40

Project Name	MPA RAG rating	Start Date	End Date	2013/2014 Budget (£m)	2013/2014 Forecast (£m)	Total Budgeted Whole Life cost (£m)[8]
Green Deal	Data exempt under Section 35 of the FoI (2000)	20/05/2010	31/12/2030	200.00	200.00	10,311.92
Magnox & Research Sites Restoration Ltd Parent Body Organisations Competition	Amber/Green	03/04/2012	01/09/2028	0.00	0.00	5,716.00
New Nuclear Programme	Data exempt under Section 43 and Section 35 of the FoI (2000)	31/01/2008	31/03/2019	1.38	1.38	31.29
Renewable Heat Incentive	Amber	30/11/2008	10/09/2014	219.00	80.10	48,261.80
Smart Meters Implementation Programme	Amber	02/12/2009	30/09/2020	15.61	18.61	17,184.65

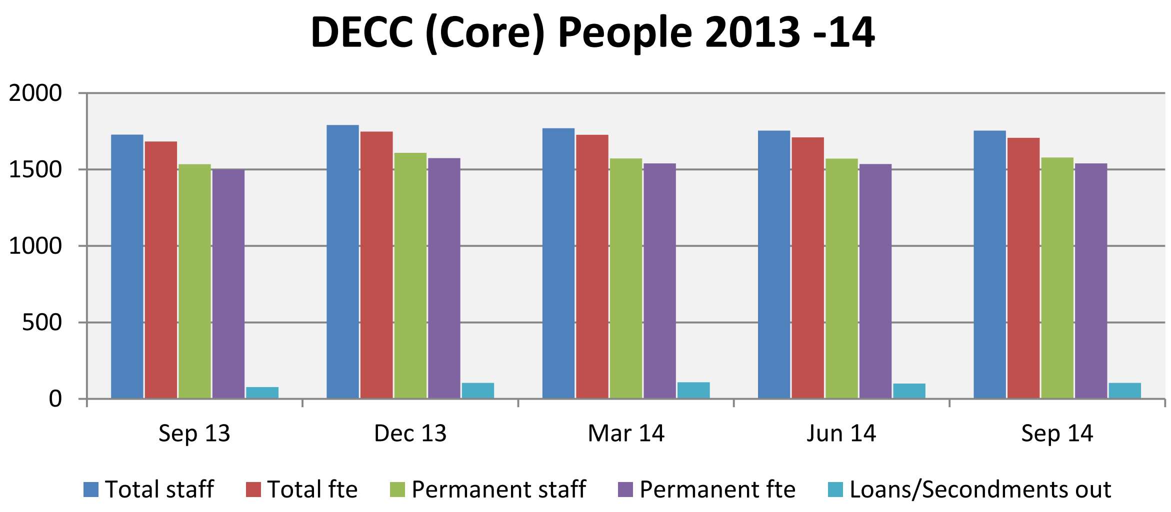
[7] Source: Data as at Q2 2013-14 as part of the Major Projects Authority Annual Report. The Government's transparency policy, which was agreed by Cabinet, governs the publication of data relating to major project delivery performance. It requires departments to publish the MPA's delivery confidence assessments for Government's major projects, accompanied by the department's project narrative every 12 months, six months in arrears.
[8] Including non-government costs.

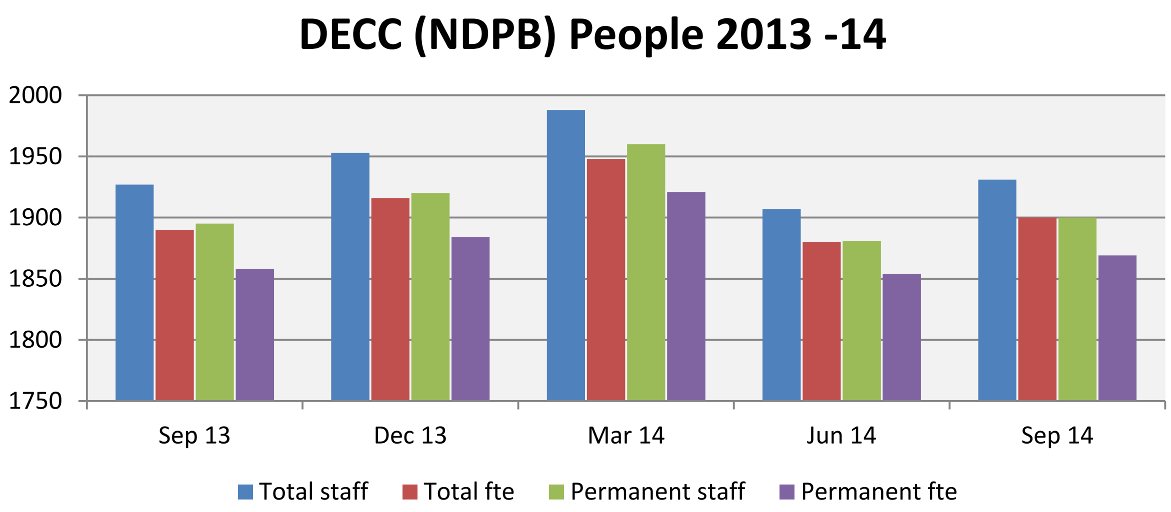
Magnox & Research Sites Restoration Ltd Parent Body Organisations Competition: A contract was signed a contract on 17 September 2014, concluding this phase of the programme.

FID Enabling for Hinkley Point C: The European Commission announced approval of the Hinkley Point C State aid case on 8 October 2014.

People

DECC recognised, through the 2010 Spending Review settlement, that it would need to grow in size if it was to deliver on its challenging agenda of implementable policies. DECC is tasked with one of the largest delivery agendas in government which is vital to delivering growth, jobs and private investment. To deliver these benefits DECC needs the right number of staff with the right skills.





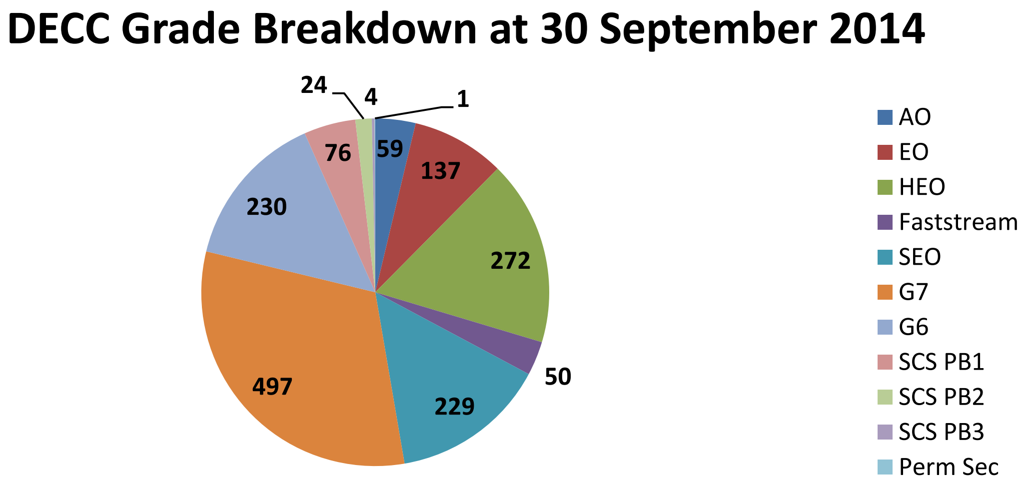


Table 4: Workforce Dynamics (Headcount)

Period	Oct 12 – Mar 13	Apr 13 – Sep 13	Oct 13 – Mar 14	Apr 14 – Sep 14	Total
Leavers *	78	103	117	149	447
Joiners *	112	164	146	140	562
* Permanent staff					

Table 5: Average payroll costs

Whole Department Family Workforce Size[9]		**Sep 14**	**Sep 13**
Payroll Staff	Department and Agencies	1,540	1,498
	Non departmental public bodies	1,867	1,867
	Department Family	3,407	3,365
Average Payroll Staff Costs[10]		£16.8m	£15.4m
Contingent Labour	Department and Agencies	146	155
	Non departmental public bodies	30	28
	Department Family	176	183
Average Contingent Labour Staff Costs[11]		£0.8m	£0.7m

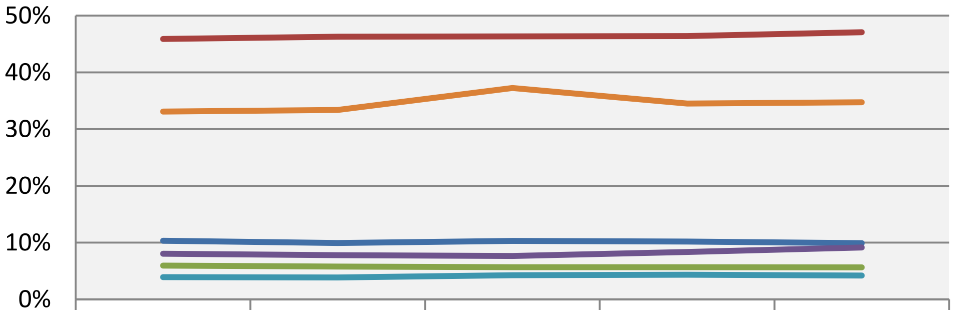
[9] Staff numbers are shown as Full Time Equivalent (FTE).
[10] Calculated as an average over the preceding 12 months and based on data previously supplied and held by Cabinet Office.
[11] Calculated as the total over the preceding 12 months and based on data previously supplied and held by Cabinet Office.

Diversity

DECC has made progress on raising the profile and supporting activities related to Diversity, but this has not yet resulted in a significant positive shift in our representation rates. The Executive Committee have acknowledged this, and have been working with our diversity networks to review our approach in DECC. In addition, we have also compared our activities against the Civil Service wide actions, as set out in the recently published Civil Service Talent Action Plan (CSTAP), to ensure we have explored all opportunities to improve.

DECC has now strengthened its programme of actions. The plan is focused on four areas: our Diversity vision, accountability and governance, data and information, and building capability and engagement. DECC already proactively supports its employees on Civil Service development programmes, and offers mentoring support to all. In addition, the Executive Committee and all Senior Civil Servants (SCS) now have a performance objective on Diversity of “Creating an Inclusive Workforce”.

Table 6: Representation Rates 2013/14[12]



	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14
BME	10%	10%	10%	10%	10%
Women	46%	46%	46%	46%	47%
Disabled	6%	6%	6%	6%	6%
Part Time	8%	8%	8%	8%	9%
LGBT	4%	4%	4%	4%	4%
Religion or Belief	33%	33%	37%	35%	35%

[12] Workforce diversity data reflects individual’s disclosure. Whilst disclosure of diversity data is not mandatory, our people can select a “Prefer Not to Say” option.

Table 7: People Survey Results 2013/14

Department only; People Survey Metrics		**Oct 2014**	**Oct 2013**
Engagement Index (%)		59%	58%
Theme Scores (%)	Leadership and Managing Change	44%	44%
	My Work	78%	79%
	My Line Manager	67%	68%
	Organisational Objectives and Purpose	85%	87%

Annex A: Input and Impact Indicators

This section shows progress against the indicators from our external business plan. The first section reports input indicators (e.g. resources directed to meeting a goal) while the second section provides impact indicators, which measure outputs or outcomes, e.g. real world effects.

Table 8: Input and Impact Indicators

Input indicators	**Current**	**Previous**
1: Renewable financial incentive cost per unit of renewable energy generated (£/MWh, current = 2012/13, previous = 2011/12)	66.97	54.26
2: Leverage of UK international climate change finance (ratio, current = Jan 2010 – Mar 2014, previous = Jan 2010 – Sep 2013)	9.7	6.7
3: Proportion of Nuclear Decommissioning Authority's budget that is spent on decommissioning and cleaning up nuclear plants (%, current = 2013/14, previous = 2012/13)	35	35

Impact indicators	**Current**	**Previous**
1: The total number of energy efficiency installations (cavity wall and loft insulation) in GB households (million, current = June 2014, previous = March 2014)	30.29	30.16
2: The number of households in fuel poverty in England (million, current = 2012, previous = 2011)[13]	2.28	2.39
3: Percentage of energy consumed in the UK that has been generated from renewable sources (%, current = 2013, previous = 2012)	5.2	4.2
4: The spare capacity of the UK's gas network (difference between maximum possible supply and actual peak demand) (% of actual peak demand, current = 2013/14, previous = 2012/13)	90	79
5: The spare capacity of the UK's electricity network (difference between maximum possible supply and actual peak demand) (% of actual peak demand, current = 2013/14, previous = 2012/13)	43	42
6: The impact of other countries' pledges to decrease their greenhouse gas emissions on predicted global emissions ($GtCO_2$, current = 2013 estimate, previous = 2012 estimate)	8-12	8-13
7: Total emissions of greenhouse gases from the UK (MtCO2, current = 2013 provisional, previous = 2012)	569.9	581.1
8: Reduction in the Nuclear Provision through decommissioning and clean-up (£billion, current = 2013/14, previous = 2012/13)	2.8	2.4
9: The proportion of all UK energy supply from low carbon sources (%, current = 2013, previous = 2012)	12.9	11.8

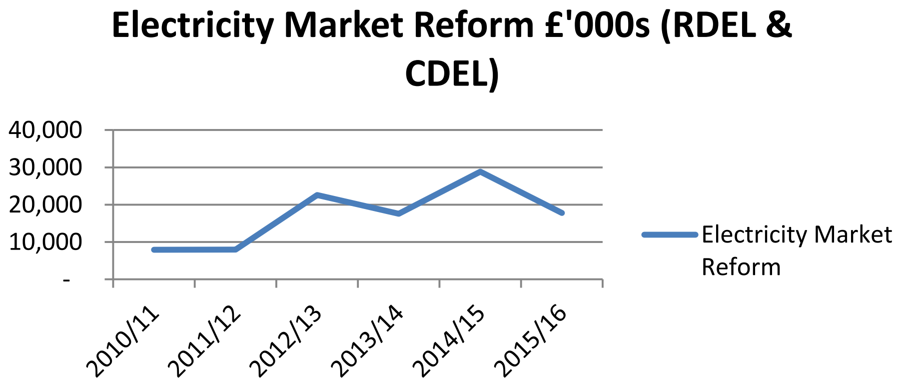
Other Data Sets	Current	Previous
1: Average domestic electricity price (medium consumers, including taxes) (UK rank within the EU15, current = 2013, previous = 2012)[14]	11th	11th
2: Average domestic gas price (medium consumers, including taxes) (UK rank within the EU15, current = 2013, previous = 2012)[Error! Bookmark not defined.]	15th	15th
3: Net UK energy import dependency (%, current = 2013, previous = 2012)	47.1	43.1
4: Final energy consumption (including non-energy use) (Mtoe, current = 2013, previous = 2012)	150.1	148.9
5: Temperature adjusted primary energy use (Mtoe, current = 2013, previous = 2012)	203.2	207.2
6: The size of the Nuclear Provision (£billion, current = 2013-14, previous = 2012-13)	-65.0	-59.0

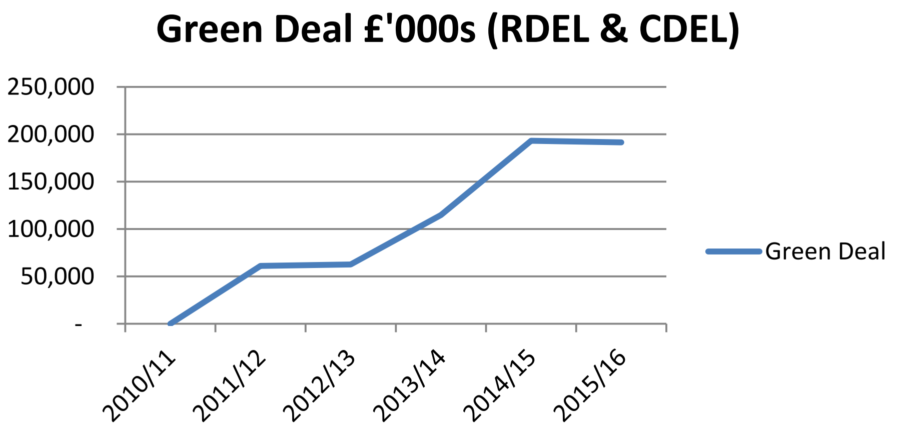
[13] Through the Energy Act 2013, the Government has laid the ground for a new legal framework to monitor fuel poverty in England using the Low Income High Costs indicator (LIHC); the data above is based on the LIHC indicator. Under the old 10% indicator (i.e. a household is said to be fuel poor if it needs to spend more than 10% of its income on fuel to maintain a satisfactory heating regime) the data for 2011 and 2012 is 3.20 and 3.05 million households respectively.

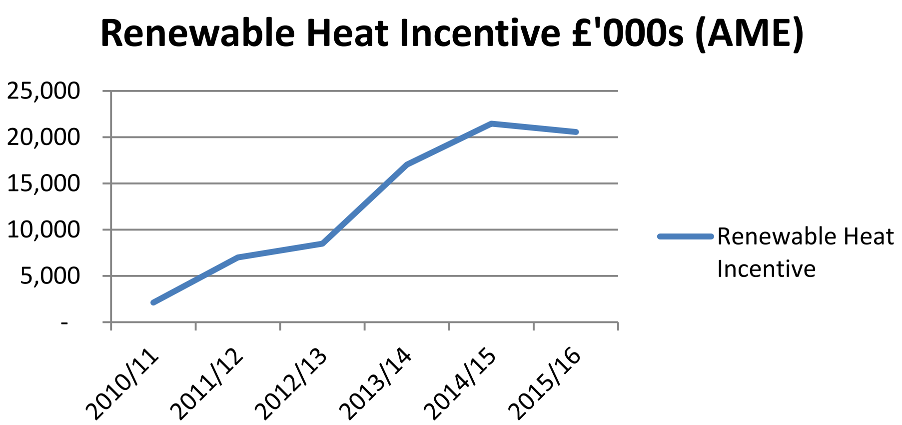
[14] Where 1/15 is the most expensive and 15/15 is the least expensive.

Annex B: Key programme and major policy spending patterns

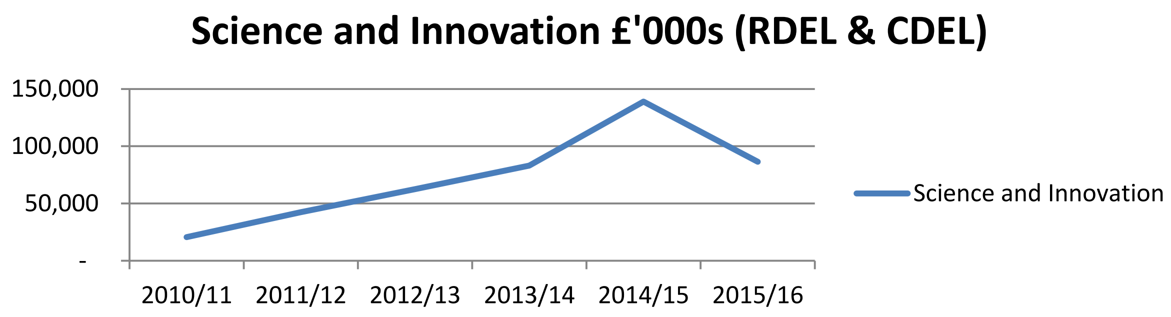
The following graphs show patterns of expenditure across major areas of expenditure. Electricity Market Reform, Green Deal and the Renewable Heat Incentive are all programmes which began in the current Spending Review period. Expenditure profiles reflect the arc of policy development and operational implementation.



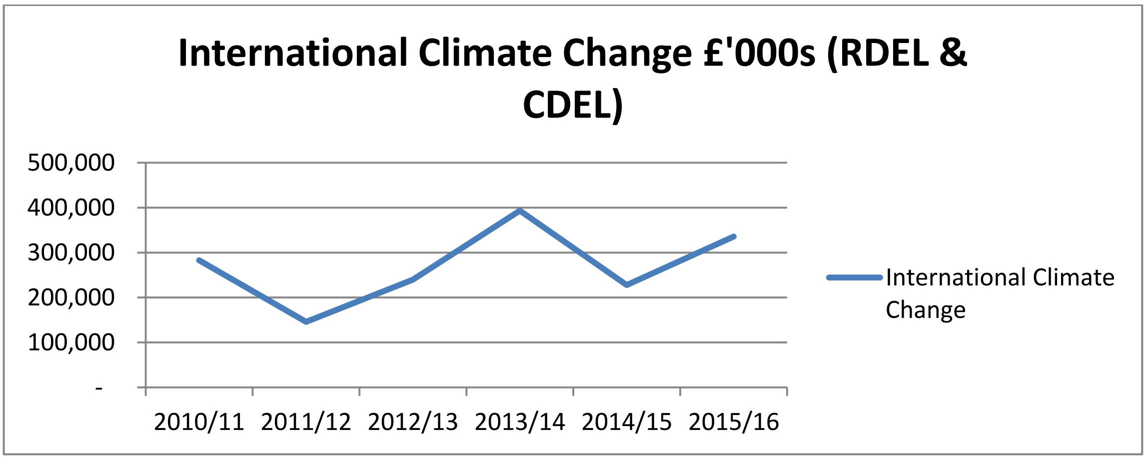




The rising expenditure for science and innovation up to 2014/15 is consistent with the Department’s CSR 2010 settlement and reflects the time taken to identify and develop projects suitable for support.



Expenditure on International Climate Change is in line with the budget allocated to DECC from the Official Development Assistance budget which has been spent in full in each year. The budget profile was not determined by DECC and represents what is affordable on an annual basis within the Government’s overall commitment to spend 0.7% of Gross National Income on Overseas Development Assistance across the current Spending Review period.



Annually Managed Expenditure (AME)

The following table shows actual expenditure against AME budgets in the last two years and planned future expenditure. With the exception of the Renewable Heat Incentive, almost all expenditure is non cash representing provisions for estimated future expenditure which will eventually be charged to DEL budgets as liabilities are discharged. Narrative on specific lines is included in the "Financial Performance" section of the main report.

Table 9: Expenditure against AME budgets

Item £m	**2012/13 Outturn**	**2013/14 Outturn**	**2014/15 Forecast**	**2015/16 Forecast**	**2016/17 Forecast**	**2017/18 Forecast**	**2018/19 Forecast**	**2019/20 Forecast**
NDA	5,137	5,479	337	679	870	1,047	1,183	1,125
Contracts for Difference	0	0	28,822	0	0	0	0	0
Renewable Heat Incentive	40	110	211	365	531	736	1,010	1,371
British Energy	89	(181)	(175)	(172)	(160)	(150)	(162)	(154)
Other	101	(343)	(155)	(151)	(49)	(47)	(46)	(45)
TOTAL	**5,368**	**5,065**	**29,040**	**721**	**1,192**	**1,587**	**1,986**	**2,296**

TOTAL AME	**5,367.60**	**5,064.90**	**29,039.70**	**721.20**	**1,192.00**	**1,586.50**	**1,985.80**	**2,296.40**

LEVIES

Levies are market mechanisms designed to fund new low carbon energy infrastructure and mitigate fuel poverty. They are added to consumers' energy bills and are subject to a Treasury cost control framework. Expenditure increases over time as more capacity comes on stream.

The following table sets out the latest outturns, forecast and projections for levy expenditure which were published on 6 December 2013 in **'*DECC's consumer funded policies' – Annex A to the Annual Energy Statement*'**.

Table 10: Levy expenditure 2011/12 to 2014/15

	£M			
	2011/12	**2012/13**	**2013/14**	**2014/15**
Warm Homes Discount - nominal	238	283	290	320
Feed-in-Tariffs - 11/12 prices	150	480	590	700
Renewables Obligation - 11/12 prices	1,460	1,895	2,395	2,795
TOTAL	**1,848**	**2,658**	**3,275**	**3,815**

Table 11: Planned levy expenditure 2015/16 to 2020/21

	£M					
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Feed-in-Tariffs	800	885	960	1020	1075	1125
Renewables Obligation	3,355	3,585	3,780	3,955	3,955	3,955
Contracts for Difference	80	550	705	1,130	1,390	1,505
Low Carbon Contract Company operating costs	10	15	15	15	15	15
TOTAL FORECAST	**4,245**	**5,035**	**5,460**	**6,120**	**6,435**	**6,600**
Levies Control Framework upper limit	4,300	4,900	5,600	6,450	7,000	7,600
Potentially remaining budget against the LCF upper limits for new build, large-scale low carbon generation	55	-135	140	330	565	1,000

Department of Energy & Climate Change
3 Whitehall Place
London SW1A 2AW
www.gov.uk/decc
URN 14D/013