

Department for Energy Security and Net Zero (DESNZ)

Main Estimate 2024-25: Estimates memorandum

1 Overview

1.1 Objectives

When the Department for Energy Security and Net Zero (DESNZ) was created the following priority outcomes were announced:-

1. Ensure security of energy supply this winter, next winter and in the longer-term – bringing down energy bills and reducing inflation.
2. Ensure the UK is on track to meet its legally binding Net Zero commitments and support economic growth by significantly speeding up delivery of network infrastructure and domestic energy production.
3. Improve the energy efficiency of UK homes, businesses and public sector buildings to meet the 15% demand reduction ambition.
4. Deliver current schemes to support energy consumers with their bills and develop options for long-term reform to improve how the electricity market works for families and businesses.
5. Seize the economic benefits of Net Zero, including the jobs and growth created through investment in new green industries.
6. Pass the Energy Bill to support the emerging CCUS and hydrogen sectors; to update the governance of the energy system; and to reduce the time taken to consent offshore wind.

Main Estimates were prepared prior to the General Election and therefore reflect the priority outcomes set out in the previous Parliament. Details of which spending programmes relate to which priorities is given at Section 3.1.

1.2 Spending controls

DESNZ's spending is broken down into several different spending totals, for which Parliament's approval is sought.

The spending totals which Parliament votes are:

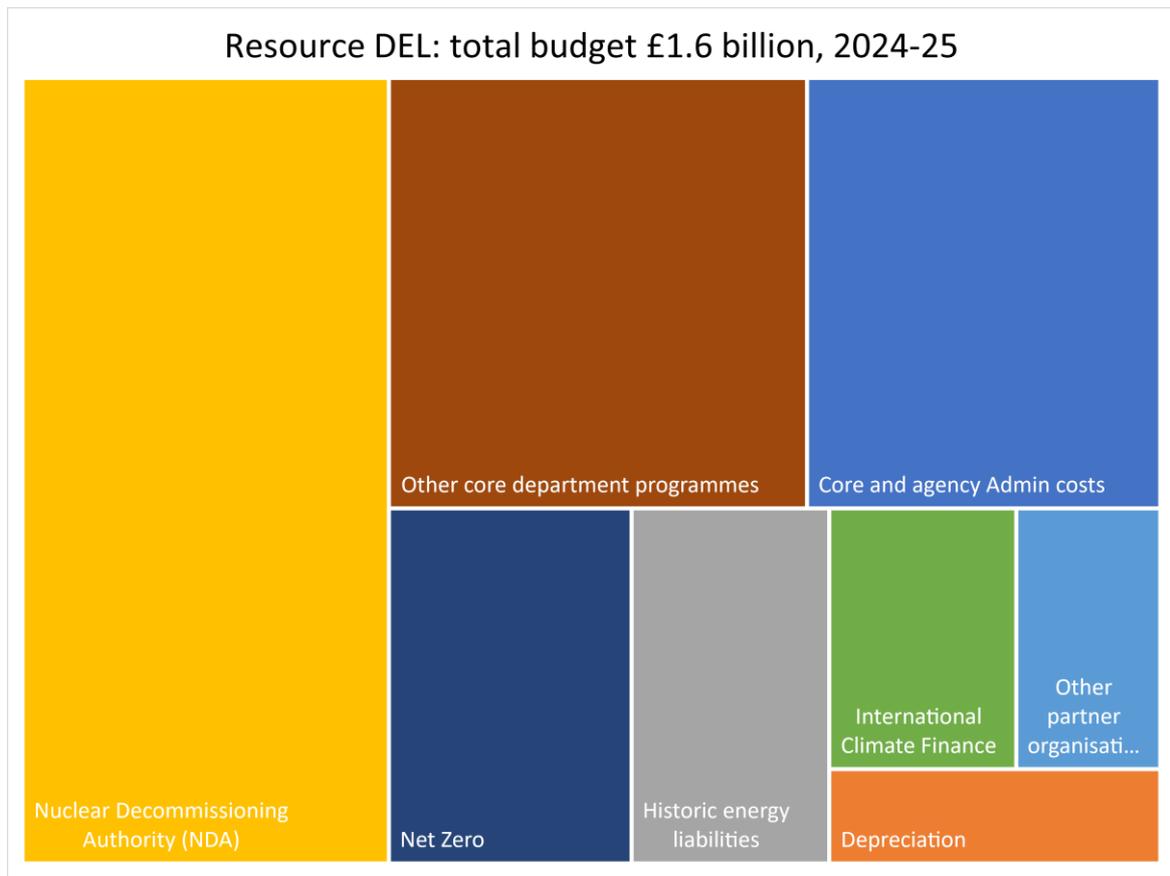
- Resource Departmental Expenditure Limit ("**Resource DEL**") - day to day running costs;
- Capital Departmental Expenditure Limit ("**Capital DEL**") - investment in infrastructure, Research and Development;
- Resource Annually Managed Expenditure ("**Resource AME**") - less predictable day to day spending: in DESNZ's case, mainly the Renewable Heat Incentive, and movements in the value of nuclear decommissioning and other provisions and movements in the fair value of liabilities incurred for Contracts for Difference

- (CFD) for the supply of low carbon electricity; and
- Capital Annually Managed Expenditure (“**Capital AME**”) - largely movements in surpluses in Coal Pension schemes.

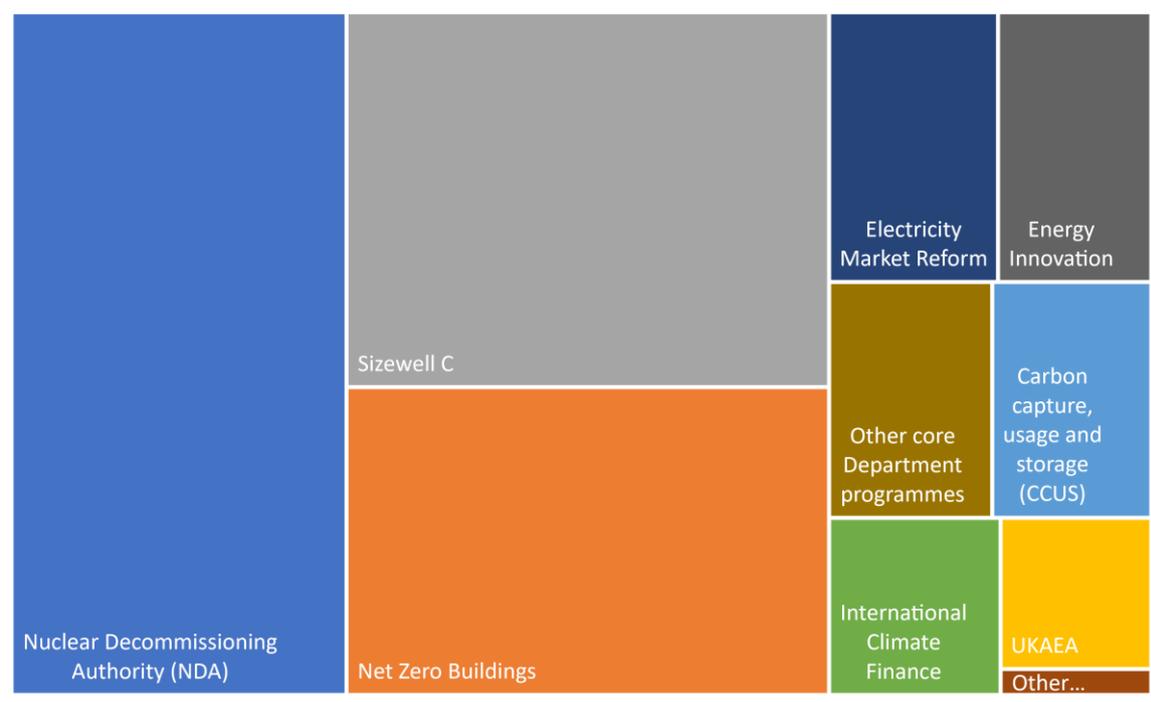
In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require DESNZ to pay out cash in-year.

1.3 Main areas of spending

The graphic below shows the main components of DESNZ’s proposed budget for the new financial year, included in the latest Main Estimate, and the proportions of funds spent on its main activities.



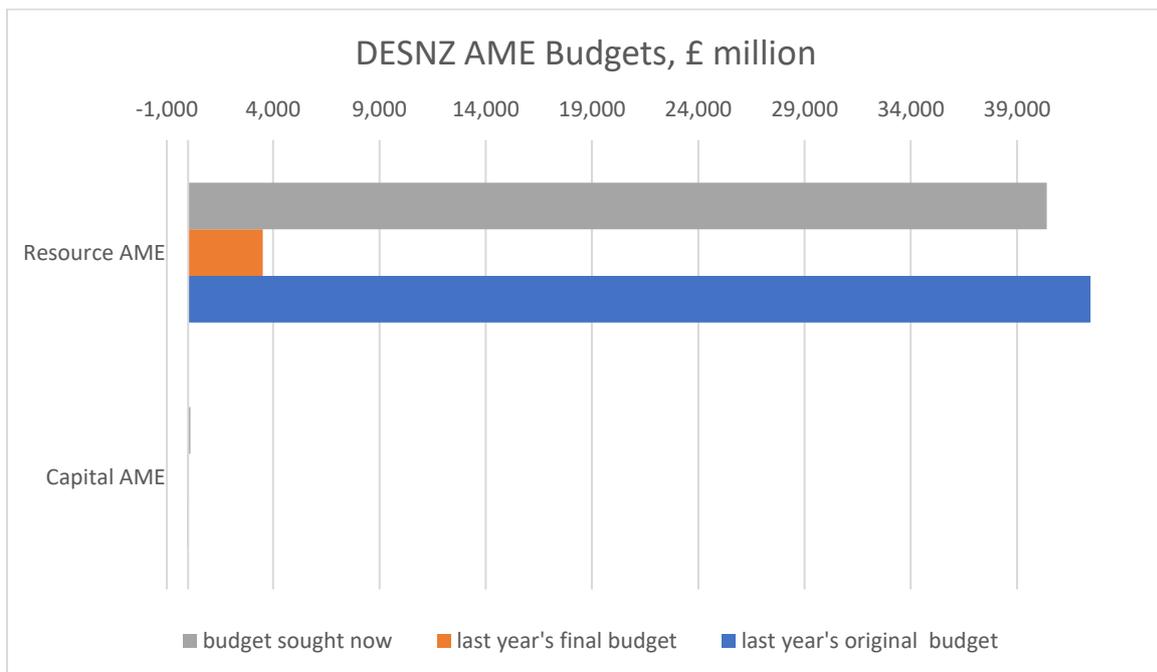
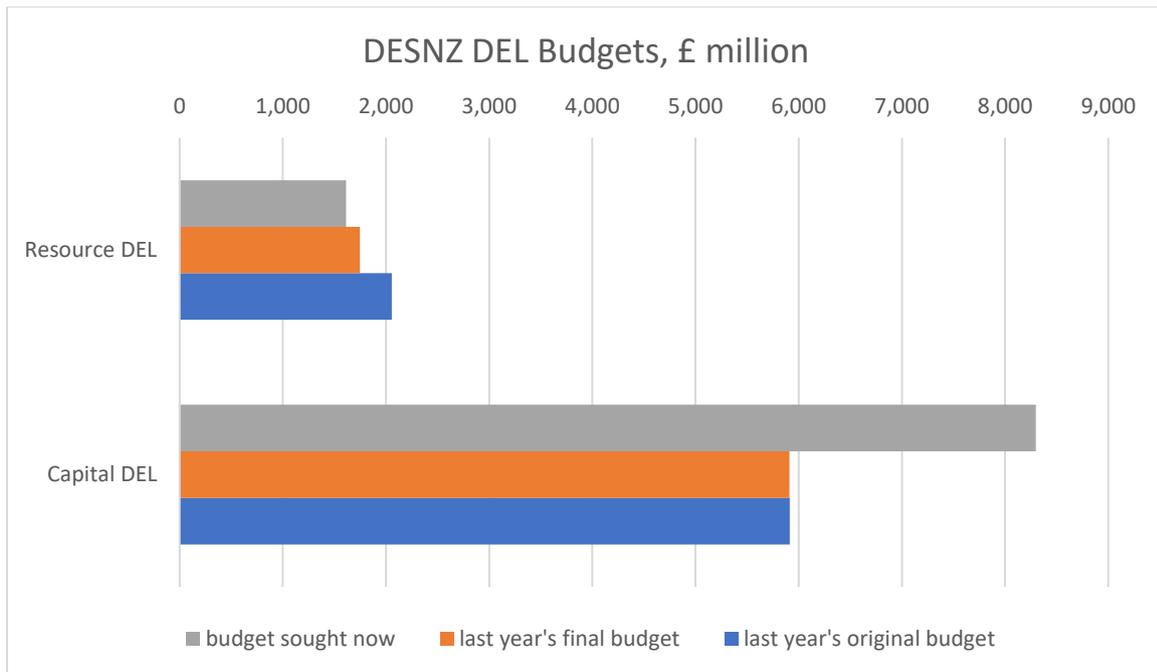
Capital DEL: total budget £8.3 billion, 2024-25



1.4 Comparison of spending totals sought

The table and graphics below show how the totals sought for DESNZ compare with last year:

Spending total Amounts sought this year (Main Estimate 2024-25)		Compared to final budget last year (Supplementary Estimate 2023-24)		Compared to original budget last year (Main Estimate 2023-24)	
		£m	%	£m	%
Resource DEL	£1,614.0m	-£134.3m	-7.7%	-£442.9m	-21.5%
Capital DEL	£8,298.9m	+£2,389.3m	+40.4%	+£2,385.2m	+40.3%
Resource AME	£40,399.3m	+£40,047.1m	+11,370.7%	-£2,062.4m	-4.9%
Capital AME	£109.6m	+£133.9m	+551.1%	+£133.9m	+551.1%



1.5 Key drivers of spending changes since final budget last year

The main causes of the changes in Resource DEL are:

- £40.0 million in 2023-24 only for the Energy Special Administration Regime (SAR);
- A reduction of £(44.4) million for the Energy Bills Support Scheme compared to 2023-24; and
- £(65.0)m decrease in Nuclear Decommissioning Authority (NDA) budget compared to 2023-24.

The main causes of the changes in Capital DEL are:

- An increase of £578.8 million for Sizewell C and New Nuclear compared to 2023-24;
- An increase of £652.5 million in Net Zero compared to 2023-24;

- £470.0 million in 2024-25 only for Electricity Market Reform; and
- £375.0 million increase for Carbon Capture Usage and Storage compared to 2023-24.

The main causes of the changes in Resource AME are:

- £24.8 billion increase in Nuclear Decommissioning Authority provisions compared to 2023-24, where the large decrease was driven by changes to the discount rate;
- £17.4 billion increase in movement in Low Carbon Contracts Company Contracts for Difference compared to 2023-24;
- £(5.2) billion decrease to cash AME in 2024-25 compared to 2023-24 in respect of Energy prices support;
- £3.1 billion increase in non-cash AME in 2024-25 compared to 2023-24 in respect of Energy prices support (where the credit was due to the utilisation of existing provisions);
- £0.9 billion increase in Coal Authority provisions compared to 2023-24, where the lower increase was driven by changes to the discount rate; and
- £(0.9) billion decrease in UKAEA provisions compared to 2023-24.

The main causes of the changes in Capital AME are:

- £205.0 million in 2024-25 for a working capital loan facility for the National Energy System Operator (NESO);
- £104.0 million provision in 2023-24 only for Euratom; and
- A reduction of £37.0 million in coal pension surplus receipts.

1.6 New policies and programmes; ambit changes

The ambit includes the following additions compared to 2023-24:-

Departmental Expenditure Limit – Expenditure:-

- Measures to increase transparency and competitiveness of road fuel prices.

Departmental Expenditure Limit – Income:-

- Recovery or return of funds for the support for other consumer and household, business and other non-domestic energy bills (following reconciliation and assurance activity).

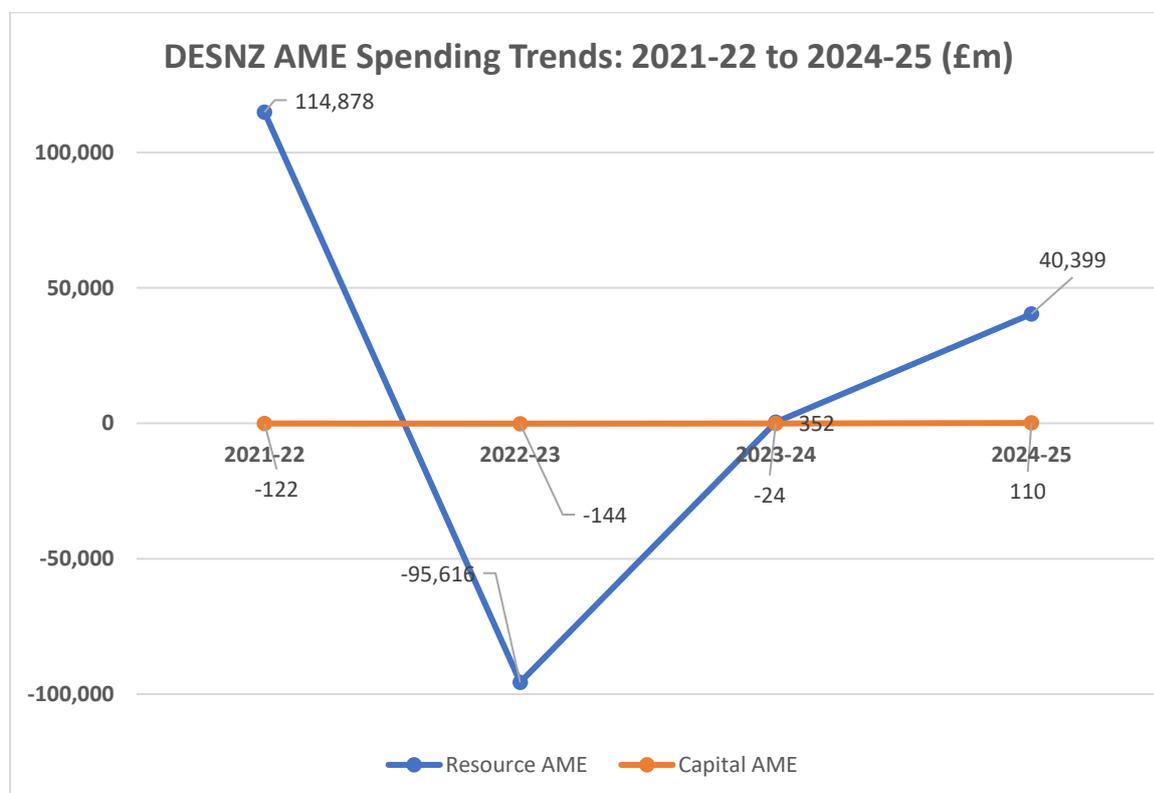
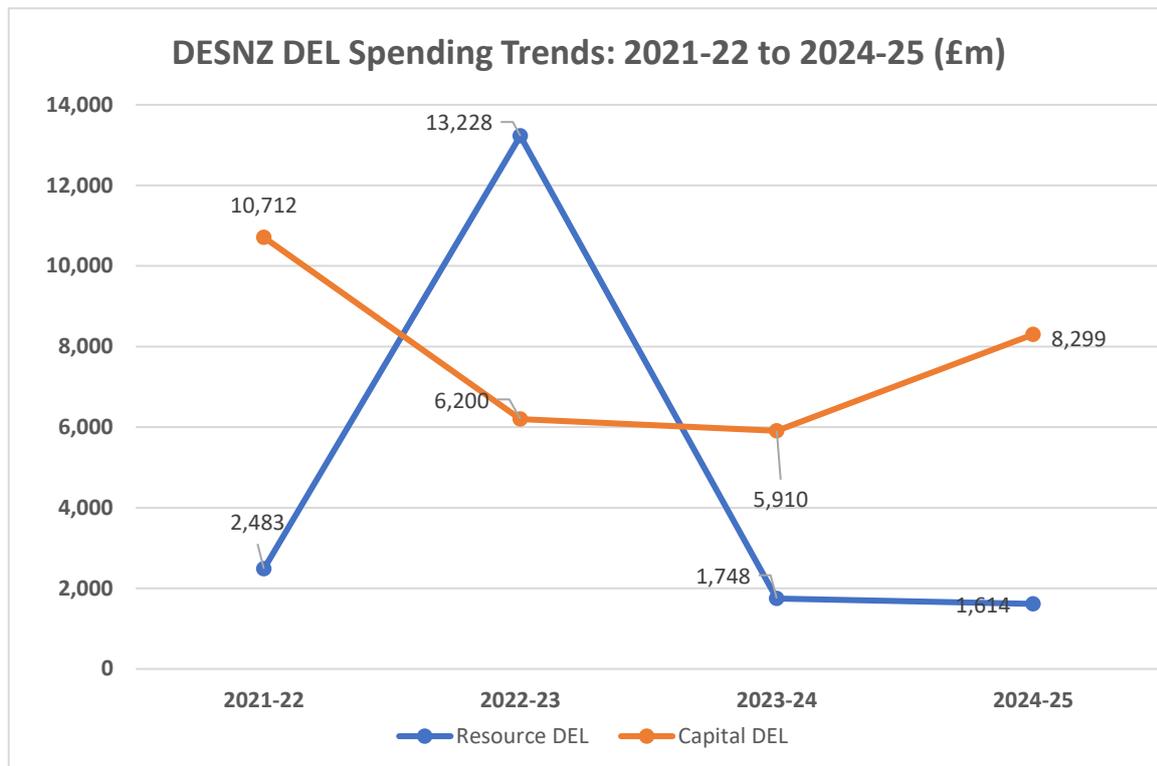
Annually Managed Expenditure – Income:-

- Recovery or return of funds for the support for other consumer and household, business and other non-domestic energy bills (following reconciliation and assurance activity).

References to liabilities in respect of former shipbuilding industry employees have been removed from the ambit following the transfer of responsibility to the Department for Business and Trade. In addition, the wording of the income ambits have been revised to remove redundant repeated references to “receipts” and similar wording.

1.7 Spending trends

The charts below show overall spending trends for the last three years and plans presented in Estimates for 2024-25 (the final year of the spending review period).



DEL Budgets

- Resource DEL was significantly increased in 2022-23 due to additional funding for Energy Bills support of £12,497.0 million.
- Capital DEL included in 2021-22 additional funding for the Nuclear Liabilities Fund of £5.6 billion; and an additional £2.0 billion in 2022-23 for the Energy Special Administration Regime (SAR).

AME Budgets

- Resource AME is subject to significant fluctuation from year to year due to non-cash costs arising from movements in the fair value of Contracts for Difference and the impact of changes to discount rates on provisions. Changes to discount rates can have a particularly significant impact on the large, long-term provision for nuclear decommissioning held by the NDA, as can be seen by the substantial variation in 2021-22 and 2022-23; and
- Capital AME has remained largely stable as receipts of coal pension surpluses have remained unchanged over the period.

1.8 Administration costs

Administration costs are set to decrease by £76.9m in 2024-25 compared to last year's final budget. This is primarily due to a £47.2 million decrease in Depreciation budgets compared to 2023-24, as well as a switch from Programme to Admin costs of £34.8 million in 2023-24 only.

Spending total Amounts sought this year (Main Estimate 2024-25)		Compared to final budget last year (Supplementary Estimate 2023-24)		Compared to original budget last year (Main Estimate 2023-24)	
		£m	%	£m	%
Administration costs	£343.4 m	-£76.9 m	-18.3%	-£40.2 m	-10.5%

Increases to the Administration budget since the SR21 settlement are for IFRS (£5.6 million) and a transfer from the DSIT for fusion team (£0.8 million), offset by a switch from Admin to Programme for NDA (£10.3 million). In addition, there are a number of small budget cover transfers included in the Main Estimate, totalling a net decrease of £(0.5) million.

1.9 Funding: Spending Review and Budgets

The levels of DEL funding for DESNZ for 2024-25 are based on plans published for BEIS in Spending Review 2021, and then allocated to DESNZ in the Machinery of Government changes announced in February 2023. Details of funding changes are set out in the Table at Annex B.

1.10 Funding: other spending announcements

Spending announcements made during the year not listed at Annex B largely relate to the allocation of money within existing planned limits, rather than additional money.

These include:

- Allocation of Research and Development funding
- Allocation of International Climate Finance funding;
- Grant funding for projects developing novel technology and processes that reduce the cost of deploying CCUS (Carbon Capture, Usage and Storage).

2. Spending detail

As shown in the table in Section 3.1, departmental expenditure can contribute across a number of different strategic objectives, in particular spend assigned to the 'Capability' subhead. However, due to Parliamentary rules, budgets must be assigned to only one specific Estimate subhead even though spending often contributes to other lines.

2.1 Explanations of changes in spending

Resource DEL

The table below shows how DESNZ's spending plans for Resource DEL compare with last year.

Subheads	Description	Resource DEL				see note number
		£ million		%		
		<i>This year (2024-25 Main Estimates budget sought)</i>	<i>Last year (2023-24 Supp Estimates budget approved)</i>	change from last year		
A	Delivering affordable energy for households and businesses	227.4	246.4	-19.0	-7.7%	
B, G	Ensuring that our energy system is reliable and secure	99.9	107.5	-7.6	-7.1%	
C, H	Taking action on climate change and decarbonisation	229.8	175.7	54.1	30.8%	1
D, I	Managing our energy legacy safely and responsibly	227.6	240.5	-12.9	-5.4%	
E, J	Science and Research	15.1	18.0	-2.9	-16.1%	
F	Capability	294.2	375.3	-81.1	-21.6%	2
K, L	Nuclear Decommissioning Authority	520.1	585.1	-65.0	-11.1%	3
	Total voted and non voted	1,614.0	1,748.4	-134.3	-7.7%	

Differences of more than 10% which are more than £10 million are explained below. Numbers relate to the relevant row in the table above. Further detail of spending within these totals is given in the Table at Annex A.

1. Taking action on climate change and decarbonisation

Resource DEL spending under these subheads is, overall, forecast to increase by £54.1 million, or 30.8%, compared to 2023-24. This is largely due to the £30.9 million increase for International Climate Finance (ICF), in line with the profile of funding allocated through SR21 and the agreed budget cover transfer from the Foreign, Commonwealth and Development Office; together with increased funding for Energy Innovation (£30.2 million), Carbon Capture and Storage (£8.7 million), partially offset by reductions in Salix (£13.5 million) and Heat (£7.4 million).

2. Capability

Resource DEL spending under this subhead is, overall, forecast to decrease by £81.1 million, or 21.6%, compared to 2023-24. This is largely due to the £77.0 million decrease in the core Department Administration budget, driven by a reduction of £47.2 million in the ringfenced Depreciation budget, together with a switch of £34.8 million from Programme to Admin which took place in 2023-24 only.

3. Nuclear Decommissioning Authority

Net Resource DEL spending under these subheads, is, overall, forecast to decrease by £65.0 million, or 11.1%, compared to 2023-24. This reflects the profile set out in SR21, driven by additional income expected in 2024-25. In addition, the split of expenditure between Resource and Capital DEL for the NDA is reviewed each year for the Supplementary Estimate in line with expenditure profiles for the year for nuclear decommissioning costs. Overall Gross DEL expenditure for the NDA for 2024-25 is increased by £182.3m compared to 2023-24.

Capital DEL

The table below shows how spending plans for Capital DEL compare with last year.

Subheads	Description	Capital DEL				see note number
		£ million		%		
		<i>This year (2024-25 Main Estimates budget sought)</i>	<i>Last year (2023-24 Supp Estimates budget approved)</i>	change from last year		
A	Delivering affordable energy for households and businesses	1,550.2	895.3	654.8	73.1%	4
B, G	Ensuring that our energy system is reliable and secure	2,534.7	1,480.4	1,054.3	71.2%	5
C, H	Taking action on climate change and decarbonisation	1,282.8	632.0	650.8	103.0%	6
D, I	Managing our energy legacy safely and responsibly	34.8	40.5	-5.7	-14.1%	
E, J	Science and Research	385.0	327.6	57.4	17.5%	7
F	Capability	72.4	93.2	-20.8	-22.3%	8
K, L	Nuclear Decommissioning Authority	2,439.0	2,440.6	-1.6	-0.1%	
	Total voted and non voted	8,298.9	5,909.6	2,389.3	40.4%	

Differences of more than 10% which are more than £10 million are explained below.

4. Delivering affordable energy for households and businesses

Capital spending under this subhead is, overall, forecast to increase by £654.8 million, or 73.1%, compared to 2023-24, in line with SR21 allocations for Net Zero Buildings and Heat. Additional Net Zero funding for New Nuclear, Energy Innovation and Heat is shown against *Ensuring that our energy system is reliable and secure* and *Taking action on climate change and decarbonisation* subheads.

5. Ensuring that our energy system is reliable and secure

Capital DEL spending under these subheads is, overall, forecast to increase by £1,054.3 million, or 71.2%, compared to 2023-24. This is driven by a £578.9 million increase in funding for investment in Sizewell C and New Nuclear compared to 2023-24; and an increase of £475.7 million for Electricity Market Reform, of which £470.0 million is for the National Energy System Operator (NESO).

6. Taking action on climate change and decarbonisation

Capital DEL spending under these subheads is, overall, forecast to increase by £650.8 million, or 103.0%, compared to 2023-24. This is largely due to an increase of £375.0 million for Carbon Capture Usage and Storage, an increase in Energy Innovation funding of £138.1 million, £96.9 million additional funding for Renewable Energy, and an increase of £34.7 million in line with the profile of funding for International Climate Finance (ICF) allocated in SR21 and transfers from the Foreign, Commonwealth and Development Office.

7. Science and Research

Total capital spending under these subheads is forecast to increase by £57.4 million, or 17.5%, compared to 2023-24. This is due to the addition of £138.9 million this year for Fusion, partially offset by a decrease of £81.5 million for the UK Atomic Energy Authority.

8. Capability

Capital DEL spending under this subhead is, overall, forecast to decrease by £(20.8) million, or 22.3%, compared to 2023-24. This is largely due to the increases in 2023-24 to meet pressures arising from IFRS 16, notably for the capitalisation of new leases for 3-8 Whitehall Place and 55 Whitehall.

Resource AME

The table below shows how spending plans for Resource AME compare with last year.

Subheads	Description	Resource AME				note number
		£ million		%		
		<i>This year (2024-25 Main Estimates budget sought)</i>	<i>Last year (2023-24 Supp Estimates budget approved)</i>	change from last year		
N, S	Taking action on climate change and decarbonisation	25,000.5	7,605.2	17,395.3	228.7%	9
O, T, X	Managing our energy legacy safely and responsibly	1,399.7	406.4	993.3	244.4%	10
P, U	Science and Research	41.7	978.0	-936.3	-95.7%	11
Q	Capability	-0.8	5.4	-6.2	-114.9%	
R	Renewable Heat Incentive	1,203.0	1,172.0	31.0	2.6%	
V	Government as Shareholder	-80.0	-80.0	-	-	
W	Nuclear Decommissioning Authority	12,835.3	-11,813.5	24,648.8	208.6%	12
	Delivering affordable energy for households and business	-	2,078.7	-2,078.7	-100.0%	13
	Total voted and non voted	40,399.3	352.2	40,047.1	11,370.7%	

Differences of more than 10% which are more than £10 million are explained below.

9. Taking action on climate change and decarbonisation

Resource AME spending on these subheads is forecast to be £17,395.3 million higher than in 2023-24. This is largely due to an increase in the forecast for the movement in fair value for Contracts for Difference for the Low Carbon Contracts Company. The forecast will be reviewed in time for the Supplementary Estimate.

10. Managing our energy legacy safely and responsibly

Resource AME spending on these subheads is forecast to be £993.3 million higher than in 2023-24 due largely to the change in discount rates impacting the non-cash movements in provisions in 2023-24 for Coal Authority (£896.0 million), together with increases in in Concessionary Fuel (£43.1 million), Coal Health liabilities (£17.9 million) and British Energy liabilities (£41.1 million); partially offset by a decrease in Coal Authority impairments (£(5.0 million)).

11. Science and Research

Resource AME spending on these subheads is forecast to be £(936.3) million lower than in 2023-24. This is largely due to a decrease in the forecast movement for UKAEA provisions compared to 2023-24.

12. Nuclear Decommissioning Authority

Resource AME spending on this subhead is forecast to be £24,648.8 million higher than in 2023-24. This is due to a larger increase in the NDA Nuclear Decommissioning provision forecast for 2024-25 compared to 2023-24, where a large decrease in the provision was

driven by changes to the discount rate. This will be reviewed ahead of the Supplementary Estimate.

13. Delivering affordable energy for households and businesses

Resource AME spending on these subheads is forecast to be £(2,078.7) million lower than in 2023-24, reflecting the ending of the energy price support schemes, with a reduction for the Energy Price Guarantee (£(1,173.5 million) and Energy Bills Discount Scheme (£(949.0) million), partially offset by an increase of £43.8 million reflecting the negative value in 2023-24 for the Energy Bills Relief Scheme provisions.

Capital AME

The table below shows how spending plans for Capital AME compare with last year.

Subheads	Description	Capital AME				note number
		£ million		%		
		<i>This year (2023-24 Main Estimates budget sought)</i>	<i>Last year (2022-23 Supp Estimates budget approved)</i>	change from last year		
M	Ensuring that our energy system is reliable and secure	205.0	-	205.0	100.0%	14
O, T, X	Managing our energy legacy safely and responsibly	-95.4	-128.3	32.9	25.7%	15
P, U	Science and Research	-	104.0	-104.0	-100.0%	16
	Total voted and non voted	109.6	-24.3	133.9	551.1%	

14. Ensuring that our energy system is reliable and secure

Capital AME spending on this subhead is forecast to be £205.0 million higher than in 2023-24. This is due to the new facility for a working capital loan for NESO.

15. Managing our energy legacy safely and responsibly

Capital AME spending on these subheads is forecast to be £32.9 million higher than in 2023-24 due to the expected £37.0 million reduction in coal pension surplus income as set by the valuation of the schemes, partially offset by the related reduction in the unwinding of the discount of the value of the expected surpluses (£(4.1) million).

16. Science and Research

Capital AME spending on these subheads is forecast to be £(104.0) million lower than in 2023-24, when the budget included provision for possible expenditure for Euratom.

2.3 Ring fenced budgets

Within the totals, the following elements are ring fenced i.e. savings in these budgets may not be used to fund pressures on other budgets without express permission from HM Treasury. Revised policy ringfences continue to be negotiated with HM Treasury.

Spending total Amounts sought this year (Main Estimate 2024-25)		Compared to final budget last year (Supplementary Estimate 2023-24)		Compared to original budget last year (Main Estimate 2023-24)	
		£m	%	£m	%
International Climate Finance (ICF) ODA (Official Development Assistance) (Resource DEL)	£88.2m	+£30.9m	+53.9%	+£11.3m	+14.7%
International Climate Finance ODA (Capital DEL)	£323.6m	+£34.7m	+12.0%	+£81.4m	+33.6%
Financial transactions	£426.3m	+£442.0m	+2,807.9%	+£465.6m	+1,184.7%
<i>Of which:</i>					
<i>ICF ODA</i>	-	-£25.0m	-100.0%	-	-
<i>Energy Efficiency Loans</i>	-£43.7m	-£1.9m	-4.5%	-£1.9m	-4.5%
<i>National Energy System Operator (NESO)</i>	£470.0m	+£470.0m	-	+£470.0m	-
<i>Other</i>	-	-£1.1m	-100.0%	-£2.5m	-100.0%
Nuclear Decommissioning Authority (Resource DEL)	£520.1m	-£65.0m	-11.1%	-£138.6m	-21.0%
Nuclear Decommissioning Authority (Capital DEL)	£2,439.0m	-£1.6m	-0.1%	+£138.9m	+6.0%
Depreciation	£56.3m	-£45.8m	-44.8%	-£45.8m	-44.8%

2.4 Changes to contingent liabilities

The list of contingent liabilities shown in Part III: Note K remains unchanged from the 2023-24 Supplementary Estimate, in line with those included in the BEIS 2022-23 Annual Report and Accounts.

3. Priorities and performance

3.1 How spending relates to objectives

The table below shows how expenditure against each subhead contributes to Departmental priority outcome.

Outcome> Estimates subheads	1: Ensure security of energy supply this winter, next winter and in the longer-term – bringing down energy bills and reducing inflation	2: Ensure the UK is on track to meet its legally binding Net Zero commitments and support economic growth by significantly speeding up delivery of network infrastructure and domestic energy production	3: Improve the energy efficiency of UK homes, businesses and public sector buildings to meet the 15% demand reduction ambition	4: Deliver current schemes to support energy consumers with their bills and develop options for long-term reform to improve how the electricity market works for families and businesses	5: Seize the economic benefits of Net Zero, including the jobs and growth created through investment in new green industries	6: Pass the Energy Bill to support the emerging CCUS and hydrogen sectors; to update the governance of the energy system; and to reduce the time taken to consent offshore wind
A		X	X	X		
B, G, M	X					
C, H, N, S	X	X				X
D, I, O, T, X	X	X				
E, J, P, U		X				
F, Q	X	X	X	X	X	X
K, L, X		X				
R		X	X		X	
W		X			X	

3.2 Measures of performance against each priority

The Department for Energy Security and Net Zero’s Outcome Delivery Plan will in due course set out the Secretary of State’s high-level objectives, and measures of performance, for the Department.

3.3 Major projects

The Department is responsible for nineteen major projects, as at the end of March 2023. Six are nuclear energy or decommissioning projects, and most of the remaining portfolio relates to energy networks and systems:

- CCUS (Carbon Capture, Usage and Storage)
- Energy Bills Support Scheme

- Geological Disposal Facility Programme (GDF)
- Green Heat Network Fund
- Green Homes Grant: Local Authority Delivery (LAD)
- Home Upgrade Grant (HUG) Phase 1
- Home Upgrade Grant (HUG) Phase 2
- Industrial Decarbonisation & Hydrogen Revenue Support
- Local Authority Delivery (LAD) Phase 3
- Low Cost Nuclear Programme
- Net Zero Hydrogen Fund
- Public Sector Decarbonisation Scheme (PSDS)
- Replacement Analytical Project (Sellafield)
- Sellafield Product and Residue Store Retreatment Plant
- SIXEP Continuity Plant (Sellafield)
- Sizewell C
- Smart Metering Implementation Programme
- Social Housing Decarbonisation Fund
- Spherical Tokamak for Energy Production

The Infrastructure and Projects Authority [reports](#) on delivery of major projects annually. Data for DESNZ can be found [here](#).

4. Other information

4.1 Breakdown of Administration Budget

Spending total Amounts sought this year (Main Estimate 2024-25)	Compared to final budget last year (Supplementary Estimate 2023-24)		
	£ million	£ million	%
Wages and salaries / Purchase of goods and services/other	369.9	-43.9	-10.6
Depreciation	23.1	-47.2	-67.2
Sale of goods and services/other income	-93.3	+14.1	+13.1
OGD income for Committee on Climate Change	-2.0	-	-
Total core department administration	297.7	-77.0	-20.6
Civil Nuclear Police Authority	0.8	+0.0	+4.0
Committee on Climate Change	5.2	+0.0	+1.0
Coal Authority	6.0	-	-
Oil and Gas Authority	0.0	-	-
Nuclear Decommissioning Authority	33.8	+0.0	+0.1

Total Partner Organisations administration	45.7	+0.1	+0.3
Total Administration Budget	343.4	-76.9	-18.3

4.2 Additional tables for Nuclear Decommissioning Authority

NDA DEL Budgets	£ million			
	2021-22 outturn	2022-23 outturn	2023-24 plans	2024-25 plans
Resource DEL expenditure	1,427.9	1,539.5	1,635.0	1,818.9
Resource DEL income	-693.9	-1,033.3	-1,049.9	-1,298.9
Net Resource DEL	734.1	506.2	585.1	520.1
<i>of which Admin</i>	35.5	30.5	33.7	33.8
Capital DEL expenditure	2,023.1	2,192.6	2,440.6	2,439.0
Capital DEL income	-	-	-	-
Net Capital DEL	2,023.1	2,192.6	2,440.6	2,439.0
Total Net DEL	2,757.1	2,698.8	3,025.7	2,959.1

NDA AME Budgets	£ million			
	2021-22 outturn	2022-23 outturn	2023-24 plans	2024-25 plans
Depreciation/Impairments	145.7	187.3	186.5	31.3
Movement in Provisions/other non-cash	100,459.3	-110,552.7	-12,000.0	12,804.0
Total AME	100,605.1	-110,365.4	-11,813.5	12,835.3

5. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by David Thomas as Chief Financial Officer, on behalf of Jeremy Pocklington, Head of Department and Accounting Officer of the Department for Energy Security and Net Zero, who is responsible for this Estimate.

David Thomas

Chief Financial Officer

Department for Energy Security and Net Zero

17 July 2024