ENERGY · PAPER 01

UK Energy Reform Summary

The six decisions and the delivery timetable for the first term.

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Britain needs dependable electricity that households can afford and industry can use to expand. Ageing plant, delayed networks and growing industrial and computing demand can narrow supply margins. North Sea decline threatens skilled communities and supplier capability while Britain remains exposed to imported fuel. We will coordinate generation, networks and investment as one delivery programme, with British control of strategic assets and visible public costs.

Six decisions

Replace the governing objectives and reform carbon pricing. Repeal national targets and carbon-budget duties; establish affordability, dependable supply, industrial capacity and sovereign control. Replace the UK ETS with a fixed £10 per tonne CO2e carbon tax and abolish UK CBAM from the start of year two. Honour contracts and settle earlier obligations. Ordinary fuel duties remain separate; preserve statistics, adaptation and technical safeguards. Remove vehicle sales quotas and boiler-replacement mandates, and keep smart-charging and efficiency standards so new demand adds little to the winter peak (Transport and Heat Demand).

Plan and purchase the system. Give NESO a binding rolling 10–15 year plan and a separate central purchaser for default energy, hedging and assigned reliability services. Preserve operational markets and independent dispatch. Private customer-service concessions compete on billing, service and verified flexibility after migration tests pass.

Build strategic generation through a mutual. Use an independent British-controlled, asset-locked mutual for designated new nuclear, coal and selected gas, with pooled finance where it improves terms. Fund first nuclear proving builds publicly. Prioritise repeat nuclear, selective gas retention and diversified staged replacement. Tender an initial five-year gas extension where condition and cost justify it, planning against constrained equipment delivery and the three-hour reliability standard. Choose gas technology at each order from the equipment obtainable then, and reserve the first equipment slots on taking office. Procure a first coal station and release further stations in tranches, with regular, balancing and reserve roles changing as nuclear grows. Use SMRs as the nuclear planning reference and run a parallel tender for repeatable large reactors, awarding capacity where credible delivery and competitive whole-system value justify it.

Restore domestic fuel investment. Reopen North Sea exploration and development under ordinary corporation tax, usable investment relief and protected decommissioning rights. Reopen private shale appraisal alongside bounded university–industry engineering research and prizes. Reopen a commercial

route for domestic coal mining to serve suitable industrial and power-generation markets. Retain jobs and supplier capability through real projects; extraction and mining stay private.

Make approved infrastructure deliverable. Use national designation, integrated consents, binding standards and technical appeals, automatic transfer of overdue decisions and a Cabinet delivery minister. Protect national transmission through defined golden-share rights; local distribution remains private and regulated. Secure equipment, skills and connections alongside permissions. Release firm demand connections in step with dependable supply; give large loads self-supply, non-firm or load-pays routes; hold distribution to the same discipline; and reserve network equipment as well as generating equipment.

Honour legacy contracts and expose their cost. Take defined inherited renewable policy-support costs off the unit price of electricity and recover them through a fixed, banded charge, with energy-intensive industry and manufacturers exempt and their share funded from taxation. End routine technology-specific subsidy awards from year one. New wind and solar may compete for long-term price-stabilising purchases on whole-system value without automatic quotas.

Delivery through the first term

Year one is the first full year after taking office.

PERIOD	DECISION AND DELIVERY
Preparation and first months in office	Audit inherited contracts, fleets, reforms and liabilities. Introduce the five-bill programme, including the carbon tax, ETS closure and CBAM abolition, and post-election Budget (Programme Annex Appendix F). Prepare mutual governance and purchaser controls; publish the binding plan after enabling duties commence. Assign the project register and funded delivery responsibilities.
To the middle of year one	Start priority network works, viable life extensions and replacement-gas procurement. Continue public nuclear proving and secure repeat-fleet sites, factories and skills. Publish the carbon tax and ETS closure arrangements within the first year; publish the first annual security decision by the middle of year one under existing lawful arrangements.
Years one to three	Replace UK ETS charges with the carbon tax and end UK CBAM charges from the start of year two; settle earlier obligations during year two. Release supply tranches against demand, nuclear progress and reliability. Advance domestic fuel projects and shale tests. Establish the purchaser and mutual after their Act and readiness tests; prepare retail pilots for year three.
Years three to five	Commission projects that are ready; report operating output separately from consents, funded orders and construction. Exercise repeat-nuclear options as evidence permits, refinance eligible assets and update the following 15-year programme. Pilot customer-service concessions in year three; migrate from year four only after retail legislation and operational release conditions pass.

The supply rule

Cross coherent demand pathways with nuclear progress and constrained equipment delivery. Assess gas retention on taking office and contract refurbishment, dependable availability and fuel readiness where justified; stronger retention and faster new builds remain sensitivities. At each annual decision, look ahead by equipment, construction and connection lead times, publish remaining normal-weather and stress gaps, and release a deliverable capacity or fuel remedy. Size firm capacity to the three-hour

standard and treat cover for prolonged cold, still spells as a separately costed resilience reserve. Build choices follow the equipment obtainable when each order is placed: supplier slots, global backlogs, delivery dates and prices. Lower demand and additional usable generation reduce later commitments.

What success looks like

Report dependable supply and connected generation; whole-system cost per delivered MWh; network energisation and constraint costs; comparable construction time and cost; retained British control and surplus; domestic jobs, supplier capability and net import exposure; customer outcomes; and public cashflows and contingent liabilities. Benchmark against feasible alternatives and preserve earlier baselines when updating assumptions.

Costing model to complete

Treasury will publish consolidated annual cashflows for the first term and the longer contractual and closure tails. Show first-build funding, legacy support, levy, carbon tax, ETS, CBAM and upstream tax changes, buyer migration, delivery capacity, research and security services; identify receipts, liquidity and contingencies separately. Programme Annex Appendix E is the working register. Moving costs to taxation changes the payer; it is not a resource saving.

What this paper does not claim

The programme is not yet fully costed. The nuclear share is an ambition, not a fixed order book; annual energy screens do not prove hourly adequacy. Gas, coal, nuclear and renewable commitments require the shared release test and an executable delivery route. Read the Programme Annex and Electricity Supply through the Transition for the assumptions and evidence.