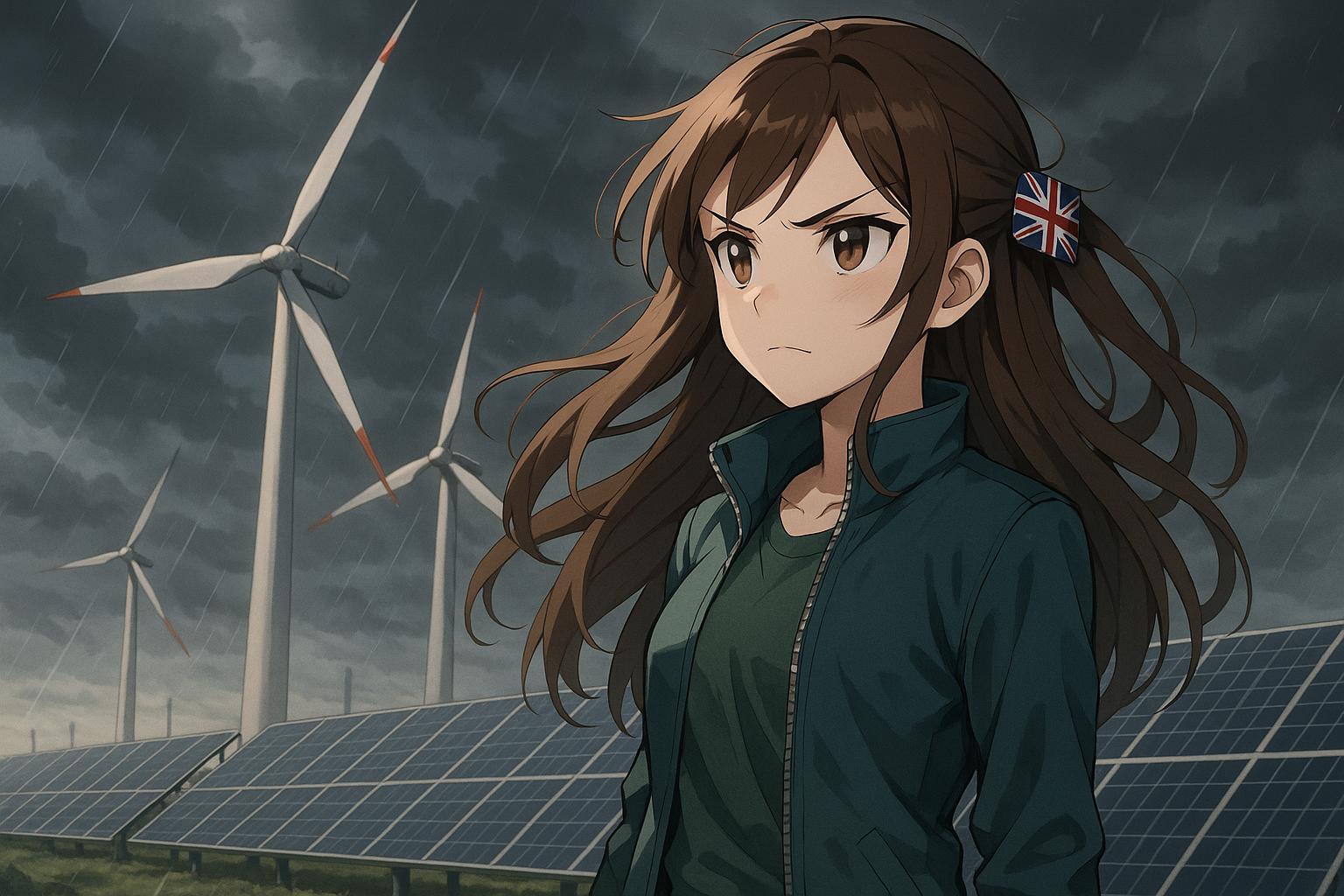
# SSE cuts renewable energy investment by £1.5bn, hitting UK’s Net Zero ambitions



One of the largest energy companies in the UK, SSE, has announced a £1.5 billion reduction in its renewable energy spending, a significant setback for the ambitious Net Zero plans championed by Energy Secretary Ed Miliband. The firm attributed this drastic 21 per cent cut to a combination of policy and planning delays, further complicating the UK's already challenging pathway to its 2030 renewable energy targets.

SSE's announcement, made on the same day it revealed its latest financial results, highlighted that total investment across its divisions will decline from £20.5 billion to £17.5 billion over the next five years, with around 30 per cent earmarked for renewables. The planned allocation for clean energy has now dropped to £5.5 billion, significantly falling short of the initially projected £7 billion. This decision raises serious concerns about the company’s feasibility of generating 50 terawatt-hours of green energy annually by the set deadline.

The immediate aftermath of this announcement has not only implications for SSE but also casts a shadow over the broader renewable sector. SSE’s chief executive, Alistair Phillips-Davies, emphasised that the company’s strategies were evolving to reflect a “changing world” and pointed to numerous factors, including unexpected project delays and challenging environmental conditions, as contributors to the profit slump of 26 per cent, down from £2.49 billion to £1.85 billion. Investment manager John Moore warned that these factors, combined with a series of one-off expenses, have unexpectedly impacted profits.

This is not the first indication that the UK's ambitious green energy plans are faltering. Earlier this month, Danish energy giant Orsted shelved a proposed wind farm off the coast of East Yorkshire, citing economic unviability, a decision that further highlights the risks faced by domestic projects. Similarly, Drax has paused its planned expansion of its Scottish hydro-power operations, directly attributing these setbacks to fluctuating power prices and increased costs.

The backdrop to this situation is the new Labour government's firm commitment to a green agenda, aiming to bolster clean energy investment and decarbonise the electric grid. The administration, led by Prime Minister Keir Starmer, is actively promoting initiatives such as the establishment of Great British Energy, a publicly-owned entity designed to stimulate investments in renewable infrastructure. However, the success of these plans is contingent upon resolving significant hurdles, notably the sluggish pace of returns for energy companies and pervasive planning delays that have long hindered renewable projects across the UK.

Industry leaders have rallied for the government to increase the auction budget for renewable energy to meet targets, especially in offshore wind, where the ambition is to expand capacity from 15 gigawatts to 55 gigawatts by 2030. Current proposals suggest that the budget for Contracts for Difference should be elevated from £800 million to at least £1.5 billion to attract necessary investments, a response to a previous auction that failed to secure interest due to insufficient incentives.

Moreover, SSE itself has highlighted the disparity in incentives between traditional fossil fuel producers and renewable operators. This contradiction has raised concerns about the long-term viability of the UK’s renewable strategy, particularly in light of increasing costs and the current global economic landscape. While the UK has been a leader in offshore wind, SSE’s CEO pointed out the urgent need for adjustments to subsidy schemes to align with rising prices and inflation impacts that threaten project viability.

As the energy sector grapples with these challenges, there is a growing consensus among investors and industry experts that substantial reforms to planning processes are essential to avoid stalling progress in renewable energy projects. While the government’s rhetoric around achieving a clean energy superpower is commendable, the reality is that meaningful improvements may require significant time and strategic re-evaluation to ensure that ambitious targets are met without compromising investor confidence.

### Reference Map

1. Paragraph 1: [[1]](https://www.dailymail.co.uk/money/markets/article-14736549/Blow-Ed-Milibands-Net-Zero-plans-SSE-slashes-spending-renewables-1-5bn.html?ns_mchannel=rss&ns_campaign=1490&ito=1490)
2. Paragraph 2: [[1]](https://www.dailymail.co.uk/money/markets/article-14736549/Blow-Ed-Milibands-Net-Zero-plans-SSE-slashes-spending-renewables-1-5bn.html?ns_mchannel=rss&ns_campaign=1490&ito=1490)
3. Paragraph 3: [[1]](https://www.dailymail.co.uk/money/markets/article-14736549/Blow-Ed-Milibands-Net-Zero-plans-SSE-slashes-spending-renewables-1-5bn.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.ft.com/content/b2ef335b-92be-488b-ac9d-f6eb55b09d67)
4. Paragraph 4: [[3]](https://www.ft.com/content/8f5ab834-9b6a-4e35-8021-eec870259337)
5. Paragraph 5: [[4]](https://www.reuters.com/sustainability/climate-energy/british-renewable-industry-pushes-new-govt-increase-auction-budget-2024-07-08/), [[5]](https://www.ft.com/content/cdfbd084-2490-496a-860c-505ff370d62e)
6. Paragraph 6: [[6]](https://www.bloomberg.com/news/articles/2023-08-03/uk-green-subsidies-need-revamp-to-meet-net-zero-sse-ceo-says), [[7]](https://www.cityam.com/doesnt-make-sense-sse-slam-governments-lack-of-incentives-for-renewable-energy/)
7. Paragraph 7: [[6]](https://www.bloomberg.com/news/articles/2023-08-03/uk-green-subsidies-need-revamp-to-meet-net-zero-sse-ceo-says), [[7]](https://www.cityam.com/doesnt-make-sense-sse-slam-governments-lack-of-incentives-for-renewable-energy/)

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## Bibliography

1. <https://www.dailymail.co.uk/money/markets/article-14736549/Blow-Ed-Milibands-Net-Zero-plans-SSE-slashes-spending-renewables-1-5bn.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.ft.com/content/b2ef335b-92be-488b-ac9d-f6eb55b09d67> - The UK's new Labour government, under Sir Keir Starmer, has sparked optimism among clean energy investors with its ambitious green agenda, including decarbonising the electric grid and banning petrol car sales by 2030. The focus includes expanding renewable energy infrastructure, made evident by the recent successful offshore wind auction and financial support for the Hornsea 3 project by Denmark's Ørsted. This optimism contrasts with the previous Conservative government's slowdown under Rishi Sunak. Major companies like National Grid and SSE are aligning with these green goals, requiring significant investments. While the market hesitantly regained confidence, clean energy investment trusts face challenges due to higher interest rates and investor sentiment. New state investment bodies, Great British Energy, and the National Wealth Fund aim to drive private sector activity, though their combined capital is relatively small compared to the needed funds for UK decarbonisation. However, investor confidence may be tempered by cautious political outlooks and the potential challenges of planning reforms.
3. <https://www.ft.com/content/8f5ab834-9b6a-4e35-8021-eec870259337> - UK Prime Minister Keir Starmer's administration aims to accelerate investment in clean energy to boost the economy. A new bill proposes creating the publicly-owned Great British Energy, and streamlining planning to prevent local disputes from hindering progress. However, the pace of returns for electricity companies is expected to be gradual. Despite Labour’s strong commitment to clean energy, shares in energy companies have remained stagnant. Renewable stocks like SSE face challenges from higher sector costs, while a drop in power prices has affected asset owners. Centrica has fared better due to share buyback plans. The public company’s limited budget suggests it will act as a co-investor rather than compete with private investors. Its involvement should ease financing for private developers, but it will take time to establish. The focus areas, such as offshore wind and emerging technologies, will be crucial. Addressing planning delays is also critical for energy projects. While there’s ambitious rhetoric, substantial improvements will take time.
4. <https://www.reuters.com/sustainability/climate-energy/british-renewable-industry-pushes-new-govt-increase-auction-budget-2024-07-08/> - The UK renewables industry has urged the new Labour government to increase its renewable auction budget by hundreds of millions of pounds to meet its ambitious offshore wind target and broader decarbonisation goals. Labour, recently elected, aims to expand offshore wind capacity from 15 GW to 55 GW by 2030. Industry leaders like Tom Glover from RWE and Nick Hibberd from Renewable UK stressed that increasing the auction budget, especially for Contracts for Difference (CfDs), is crucial for achieving these targets. They recommend boosting the offshore wind budget from 800 million pounds to at least 1.5 billion pounds to attract necessary investments and support the development of 10 GW of wind projects eligible for bidding. This follows the failure of the 2023 auction to attract any offshore wind projects due to insufficient incentives. The government’s forthcoming decisions on auction budgets are seen as pivotal to ensuring the timely delivery of wind projects by 2030.
5. <https://www.ft.com/content/cdfbd084-2490-496a-860c-505ff370d62e> - Scotland's offshore wind energy plans are facing significant hurdles due to concerns about the impact on birdlife. The Seagreen offshore wind farm in the North Sea has been operational since October, but SSE's proposed Berwick Bank wind farm faces delays due to regulatory processes aimed at protecting marine bird species. The project has been pending approval for 21 months, impacting investor confidence. The UK aims to increase its offshore wind capacity from 15GW to 60GW by 2030 to meet renewable energy targets. Politicians and conservation groups, such as the Royal Society for the Protection of Birds (RSPB), highlight the challenge of balancing renewable energy developments with biodiversity protection. Proposed compensatory measures by SSE include ending sand eel fishing and eradicating rats to protect bird nests, but the RSPB views these efforts as inadequate. The delay in consent is attributed to the complex planning system and potential legal challenges from conservation groups. The Scottish and UK governments are working to streamline the consent process and adopt a marine recovery fund to expedite projects while mitigating environmental impact.
6. <https://www.bloomberg.com/news/articles/2023-08-03/uk-green-subsidies-need-revamp-to-meet-net-zero-sse-ceo-says> - The UK may need to overhaul its renewable energy subsidy auctions to deliver on its net zero target, according to the head of utility SSE PLC. While Britain has long been the world leader in offshore wind power, projects have been put at risk by rapidly falling subsidies that can’t match rising prices. Last month, Swedish developer Vattenfall AB shelved a 1.4-gigawatt UK wind farm, blaming rising costs that couldn’t be matched by the record low power prices it locked in a year earlier at a government auction of supply contracts. “People need to make sure that these auctions are sufficiently flexible to deal with things like the inflationary impacts we’ve seen on supply chain,” SSE CEO Alistair Philips-Davies said Thursday in an interview with the Bloomberg UK Politics Podcast.
7. <https://www.cityam.com/doesnt-make-sense-sse-slam-governments-lack-of-incentives-for-renewable-energy/> - SSE has urged the Government to consider investment relief following the latest Westminster committee report. The renewable energy specialist told City A.M. it was important Downing Street addressed the disparity between the investment climate for North Sea oil and gas producers and operators of renewable electricity across the UK. This was especially aggravating due to the UK’s continued shift to renewable energy and ambitious plans to boost domestic energy generation following Russia’s invasion of Ukraine. A spokesperson said: “Investing in low carbon infrastructure is crucial to building a cheaper, cleaner and more secure homegrown energy system here in the UK. The fact that oil and gas companies have incentives that are not available to renewable producers simply doesn’t make sense. We all know the way to solve the energy crisis is to encourage investment in low carbon energy sources and the electricity infrastructure that supports them.”