

TRANSITIONING TO NET ZERO: A GUIDE TO THE ENERGY SECTOR IN 2025





NAVIGATING A CHANGING ENVIRONMENT

ANGUS HILL

Senior Director, Energy



Achieving Net Zero will require a fundamental change to our energy system, at extraordinary pace – from significant investment in low carbon generation, combined with major reforms to our infrastructure, to shifts in how the energy markets work, and changing consumer behaviour. The expectations on the energy sector in delivering this are huge.

The government's ambition to achieve Clean Power in the UK by 2030 adds to this pressure. With just five years to achieve this, the race is on.

This comes in the context of a Labour government, having been in power for just over six months, but needing to show how it is delivering. The energy sector is critical to the government's core ambition of delivering economic growth, and for people and communities across the country to the feel the benefits of this. If they don't – and they see it as a drain of public resource rather than a driver of growth to fund core public services – sustained support for net zero and the energy transition is likely to be at risk.

This year is critical if these ambitions are to become a reality: government needs to accelerate policy decisions, industry needs to demonstrate the steps that it is taking to deliver on the ground, and collectively both need to articulate to the wider public how this is delivering a cleaner, more affordable and more secure energy system that works for them.

This new guide from WA Communications is our take on the year ahead for the energy sector, looking at what's in store in the external environment – both from a policy and reputational perspective – and what it means for business. It includes:

- The key trends to look out for this year
- What to expect in different parts of the energy market
- A practical timeline that sets out the key policy and political milestones for the next six months

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KEY TRENDS: WHAT TO WATCH OUT FOR THIS YEAR

1.


ENERGY WILL CONTINUE TO BE DEFINED BY GLOBAL GEOPOLITICS

2.




THIS GOVERNMENT WILL REMAIN COMMITTED TO ITS ENERGY DECARBONISATION AGENDA, BUT WILL NEED TO WORK HARDER TO SHOW THE PUBLIC BENEFIT

3.



WE'LL HAVE A GOOD SENSE BY THE END OF THIS YEAR WHETHER CLEAN POWER BY 2030 IS ON TRACK

4.



SCRUTINY OF THE 2030 TARGET WILL INTENSIFY AS TRADE-OFFS BECOME CLEARER, PUTTING INDUSTRY UNDER PRESSURE TO COMMENT

5.

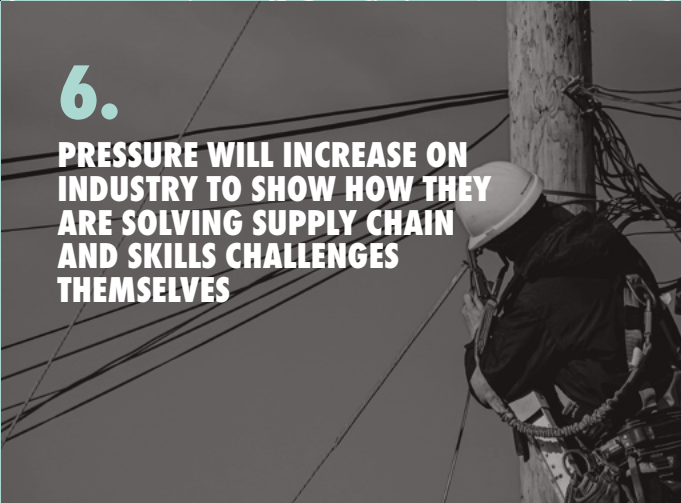
FISCAL RESPONSIBILITY AND A LASER FOCUS ON 2030 CLEAN POWER WILL HOLD BACK AMBITION IN SOME AREAS: 'BEYOND 2030' TECHNOLOGIES RISK BEING LEFT BEHIND

7.



THE CONSUMER FOCUSED ELEMENTS OF THE NET ZERO TRANSITION WILL COME INTO THE SPOTLIGHT

6.



PRESSURE WILL INCREASE ON INDUSTRY TO SHOW HOW THEY ARE SOLVING SUPPLY CHAIN AND SKILLS CHALLENGES THEMSELVES

KEY TRENDS: WHAT TO WATCH OUT FOR THIS YEAR

1. ENERGY WILL CONTINUE TO BE DEFINED BY GLOBAL GEOPOLITICS

- Despite efforts from policymakers across the globe to build domestic energy independence, 2025 is likely to be a very stark reminder that geopolitics still has a significant influence on energy markets.
- Trump's protectionism, continued tension in the Middle East, and uncertainty over how the Russia-Ukraine conflict will resolve all have implications for UK bills and energy security.
- The divergence from a net zero consensus in an increasing number of countries – particularly the US – could pose challenges for both government and industry in the UK.
- If a shift away from renewables and a relentless focus on maximising fossil fuels is perceived to drive economic growth and improve living standards, there are questions as to how this will be seen by different parts of Labour's fragile electoral coalition.

IF A SHIFT AWAY FROM RENEWABLES AND A RELENTLESS FOCUS ON MAXIMISING FOSSIL FUELS IS PERCEIVED TO DRIVE ECONOMIC GROWTH AND IMPROVE LIVING STANDARDS, THERE ARE QUESTIONS AS TO HOW THIS WILL BE SEEN BY DIFFERENT PARTS OF LABOUR'S FRAGILE ELECTORAL COALITION.

2. THIS GOVERNMENT WILL REMAIN COMMITTED TO ITS ENERGY DECARBONISATION AGENDA, BUT WILL NEED TO WORK HARDER TO SHOW THE PUBLIC BENEFIT

- If opinion polls and local elections this May continue to highlight the drop in public support for this government, and the rise of Reform UK in particular, expect increased briefings – including potentially from some trade unions – calling for a softening of the government's net zero agenda and a greater focus on the perceived core concerns for voters: the cost of living, immigration and crime.
- This is unlikely to materialise – from the Prime Minister and Chancellor down there has been consistent backing for the agenda, and a recognition that it's critical to the wider growth agenda.
- However, don't be surprised to see a renewed public narrative – supported by both hard numbers and a clearer story – from government on how the wider public will benefit from the transition, including on jobs and skills; community benefit programmes; and reforming markets (although controversial with much of industry) so that they help a shift to renewables deliver lower bills for consumers.
- In recent months we've seen Labour MPs in coastal communities and former industrial heartlands – particularly in Reform UK target seats like Grimsby and Lowestoft – working even more closely with Ministers to tangibly bring to life and champion specific investments.
- The challenge for industry will be to show how their behaviour and narrative support this – talking in the language of the public to build consent and support and resonate with the priorities that they care about.
- A polarised media environment on net zero – which is likely to deepen in 2025 – makes this harder, managing the reputational risks that a particular editorial position from certain outlets present; as well as needing to carefully consider how best to communicate with consumers and policymakers in a media environment which is tricky to navigate.

3. WE'LL HAVE A GOOD SENSE BY THE END OF THIS YEAR WHETHER CLEAN POWER BY 2030 IS ON TRACK

- 2030 may be over five years away, but the time it takes to procure, plan and build the energy infrastructure required to achieve this – particularly offshore wind – means that this year and next are essential.
- The next two Contracts for Difference auction rounds – AR7 and AR8 – will need to be a major step up, across all technology areas, compared to previous auctions to achieve this.
- Ministers have already made progress on a series of practical steps to remove the barriers to deployment – improving how the CfD process works, and action on planning and grids. The key test this year is how quickly these changes are implemented, and whether they start to have an impact on the ground.

4. SCRUTINY OF THE 2030 TARGET WILL INTENSIFY AS TRADE-OFFS BECOME CLEARER, PUTTING INDUSTRY UNDER PRESSURE TO COMMENT

- Ministers have positioned 2030 Clean Power as a no-lose scenario: lower bills for consumers, a significant driver of economic growth, lower emissions and improved energy security. It may well deliver all these things but the government's Clean Power Plan doesn't yet provide that evidence.
- Challenge to the government's Clean Power plan to date has come from the Conservative Party and media outlets on the right. With a huge majority, this has had limited impact to date. Expect thoughtful challenge and scrutiny to increase this year, including from public scrutiny bodies and expert commentators.
- Industry will also face pressure to speak out on the feasibility of the Clean Power plan – this will be a tricky tightrope to walk.

5. FISCAL RESPONSIBILITY AND A LASER FOCUS ON 2030 CLEAN POWER WILL HOLD BACK AMBITION IN SOME AREAS: 'BEYOND 2030' TECHNOLOGIES RISK BEING LEFT BEHIND

- In opposition, Labour had already begun to dial back its spending ambitions on the green transition, and Rachel Reeves and Darren Jones iron grip on the public finances will limit the capital spending available.
- Combined with DESNZ's limited resources being laser focused on 2030 Clean Power, solutions that can't easily show they are critical to achieving this – nuclear, the next generation of hydrogen and carbon capture projects, for example – will face a battle for political and policy attention, and crucially, financial support.
- This could mean a slower pace of ambition in areas like the next phase of carbon capture projects.
- To mitigate these risks, project developers need to align very explicitly with wider government strategies beyond the Clean Power targets, particularly those driven by HM Treasury such as the Industrial Strategy and Ten Year Infrastructure Strategy, and 'growth' themes of skills, supply chain and regional impact. Those that can show that private finance is leveraging public support and be innovative on funding models have most chance of success.

PROJECT DEVELOPERS NEED TO ALIGN VERY EXPLICITLY WITH WIDER GOVERNMENT STRATEGIES BEYOND THE CLEAN POWER TARGETS, PARTICULARLY THOSE DRIVEN BY HM TREASURY SUCH AS THE INDUSTRIAL STRATEGY AND TEN YEAR INFRASTRUCTURE STRATEGY, AND 'GROWTH' THEMES OF SKILLS, SUPPLY CHAIN AND REGIONAL IMPACT

6. PRESSURE WILL INCREASE ON INDUSTRY TO SHOW HOW THEY ARE SOLVING SUPPLY CHAIN AND SKILLS CHALLENGES THEMSELVES

- Businesses have been vocal about the challenge that skills and supply chain issues present, with calls for government support.
- While there are clearly steps that government can take – clarity on the project pipeline and coordinated action from Skills England as just two examples – expect to see a much greater expectation this year on industry – following the introduction of the Clean Industry Bonus – to show how they are stepping up to act themselves.
- There’s a comms story here for industry to tell – going beyond the usual narrative of skills shortages to add more depth and articulating this through a human lens: why is it hard to recruit in certain areas or technologies? What initiatives has the industry already brought forward to address this? How are emerging energy sectors practically and genuinely supporting with the transition for those in industries – such as oil and gas – that are winding down?

7. THE CONSUMER FOCUSED ELEMENTS OF THE NET ZERO TRANSITION WILL COME INTO THE SPOTLIGHT

- While the political focus has been on tackling the power system, decarbonising homes and ensuring the retail market supports the transition to net zero (embedding flexibility solutions for example) will get more attention in 2025.
- The industry is waiting to see how ambitious the Warm Homes Plan is and whether the government takes a sufficiently bold approach to the Future Homes Standard to decarbonise new homes. The challenge for government will be to cut through the political and media obstacles – headlines on ‘boiler bans’ for example – to provide policy clarity and unlock innovation in this space.
- However, the reality is that consumer behaviour is starting to move ahead of a glacial policy environment. Recent industry data showed a 67% sales surge for heat pumps in 2024; only a fraction of what is required, but a major step in the right direction. The real story in this space is that consumers may be starting to go faster than policymakers in recognising the opportunity that can be unlocked.

ENERGY SECTOR SPOTLIGHT: WHAT TO EXPECT IN 2025

Power generation

OFFSHORE WIND

What does success look like this year?

Nothing less than the most successful CfD auction yet, procuring a significant chunk of the 12 GW identified as required across the next two to three allocation rounds

Key milestones to watch

- AR7: all eyes will be on how ambitious this year’s CfD allocation round (expected in the Autumn, but at risk of delay) will be, with critical reforms being consulted on this Spring to aim to maximise the capacity procured
- Introduction of the Clean Industries Bonus: applying from AR7, this is largely a continuation of the precious government’s agenda, and aims to maximise UK supply chain benefits
- Crown Estate Bill: expected to pass into law in the coming weeks, this will strengthen their role - more clarity is expected on the early priorities from their new partnership with GB Energy later in the year

ONSHORE RENEWABLES (SOLAR, ONSHORE WIND AND BATTERY STORAGE)

What does success look like this year?

Consolidating political support for onshore renewables in the face of continued public and media opposition; a successful CfD round

Key milestones to watch

- Onshore Wind Taskforce: roadmap for building onshore wind, particularly in England, expected in the Spring with scrutiny then switching to developers to understand the scale and pace of the future project pipeline
- Launch of Solar Roadmap: Solar Taskforce expected to launch their plan for the sector in the coming weeks, billed as being bolder than the last government’s and likely to cement the government’s support for solar on agricultural land

Power generation

GAS POWER

What does success look like this year?

Building greater external recognition of the critical role that gas – both abated and unabated – will have in meeting 2030 Clean Power; accelerate carbon capture and hydrogen projects despite constrained public finances

Key milestones to watch

- Role of gas and market frameworks: following welcome clarity on the need for unabated gas and the confirmation that a Strategic Reserve will be based on existing market mechanisms, industry will now be looking to understand how government – and NESO – anticipate the system working in 2030 and beyond, particularly at low load factors
- CCS Track 1: pressure is on to expand the projects in the HyNet and East Coast Cluster that have received the green light, beyond the current limited number of projects

- CCS Track 2: industry awaiting long-delayed action on next set of CCS Clusters – specifically Viking in the Humber and Acorn in Scotland – and will be looking for support at the Spending Review
- Carbon shipping: critical that future Track 2 process unlocks shipping; eyes will be on whether government grasps opportunity to include within any future improved deal with the European Union
- Hydrogen production: results of long delayed and heavily over-subscribed Hydrogen Allocation Round 2 process expected shortly; Spending Review critical for providing signal on future government support

NUCLEAR

What does success look like this year?

At a minimum, FID on Sizewell C and the conclusion of the SMR competition, but industry will also be looking for a longer term pipeline of projects emerging beyond this

Key milestones to watch

- GW scale: FID on Sizewell C expected at the Spending Review in June; industry will be looking for clear commitments on future nuclear capacity and pace of delivery, including further clarity on development at Wylfa
- SMRs/AMRs: outcome of the SMR selection process expected this Spring; industry will be looking for clear timeframes and signal of support for next generation of reactors - AMRs
- Fusion: procurement process ongoing to appoint industry partners for delivery of STEP project at West Burton – outcome expected late 2025/early 2026

Consumers and buildings

BUILDING AND HEAT DECARBONISATION

What does success look like this year?

Clarity on future standards to allow the industry to drive innovation to meet these

Key milestones to watch

- Retrofit: full Warm Homes Plan expected to be unveiled alongside Spending Review, building on initial announcements at the end of 2024; questions over level of ambition and interaction with existing schemes including Boiler Upgrade Scheme
- New homes: Future Homes and Buildings Standards finally expected to be unveiled later this year, with an implementation period to allow for adaptation
- Long-term decisions on future heat technologies: government still due to make decision on future heat technologies in 2026, and will be conscious of political and media interest; in reality detailed work on role of hydrogen for heat has been significantly scaled back

CONSUMER RETAIL MARKET

What does success look like this year?

With radical market reform not on the agenda, industry will be looking to show it's supporting consumers, to help them engage with and transition to new technologies

Key milestones to watch

- Price cap: energy bills expected to rise by around 3% for next price cap period (April – July) when new cap announced at end of February; will place immediate political pressure on government to provide clearer pathway to promised energy bill reductions
- Introduction of Market-wide Half Hourly Settlement (MHHS): launch delayed from March 2025 until September 2025 – potential to significantly unlock 'prosumerism' and drive flexibility markets

BUSINESS RETAIL MARKET

What does success look like this year?

Clarity on the future of regulation, maintaining support for a competitive market

Key milestones to watch

- Introduction of regulation for TPIs: government currently considering next steps following recent consultation – stronger regulation still expected, but Reeves focus on removing regulatory barriers could soften proposals

Cross-cutting sector issues

GRIDS AND NETWORKS

What does success look like this year?

Changes to the connections process embedded, with government and NESO able to show they are acting on industry concerns

Key milestones to watch

- Connections reform: NESO currently pausing new connection applications while awaiting Ofgem agreement to reformed process
- NIC report on distribution networks: expected in the coming weeks, setting out advice on how DNOs can better enable the transition to clean power
- Price control process: process to develop RII0-ED3, which comes into effect in April 2028, is currently being established with Ofgem having recently consulted on the approach

PLANNING

What does success look like this year?

Legislation passed at pace, and changes – welcomed by industry – quickly implemented to speed up delivery of the infrastructure required for 2030 Clean Power

Key milestones to watch

- Planning and Infrastructure Bill: expected in late Spring, this legislation will implement recently announced reforms aimed at removing barriers to development, including streamlining judicial review and taking a more strategic approach to managing environmental issues

GREAT BRITISH ENERGY

What does success look like this year?

For government, success will be passing the legislation that underpins GBE, and beginning to build the organisational structures to allow it to have impact; for industry, success will be understanding further government's specific ambitions and early priorities

Key milestones to watch

- GB Energy Bill: legislation expected to pass in the coming weeks, with the government having successfully fought off amendments to the Bill
- Organisational buildout: continued appointments at executive level expected in coming months

ELECTRICITY MARKET REFORM (REMA)

What does success look like this year?

Split by position on market reform: for the vast majority of industry opposed to zonal pricing, ultimate success is a decision to evolve a national market, but for many clarity and certainty are important whatever the outcome; for opponents, success is a government commitment to zonal pricing

Key milestones to watch

- Outcome on REMA process: decision expected this summer, with a commitment to a conclusion before the AR7 auction begins

MILESTONE TIMELINE: THE NEXT SIX MONTHS

MID FEB

Great British Energy Bill achieves Royal Assent

FEB

National Infrastructure Commission to publish report on distribution networks

LATE FEB

Climate Change Committee publish advice on Seventh Carbon Budget

LATE FEB

Crown Estate Bill achieves Royal Assent

LATE FEB

Price Cap announcement (April – July)

LATE FEB/ EARLY MARCH

DESNZ launch consultation on CfD allocation reforms

LATE FEB/ EARLY MARCH

Solar Taskforce will publish Solar Roadmap

MARCH

Planning and Infrastructure Bill introduced

JUNE

Warm Homes Plan published in full (alongside Spending Review)

JUNE

Industrial Strategy published, with Clean Energy Industries one of eight high growth sectors identified (alongside Spending Review)

JUNE

Spending Review published, including major energy infrastructure spending decisions (Sizewell C, CCS Track 2)

APRIL/MAY

Outcome of SMR competition expected

APRIL

National Infrastructure and Service Transformation Authority (NISTA) comes into effect

26 MARCH

Rachel Reves delivers Spring Forecast

MARCH

Onshore Wind Taskforce reports

MARCH

Ofgem delivers policy decision on Regional Energy Strategic Plan (RESP) framework

JUNE

Proposed Future Homes and Buildings Standard published

JUNE/JULY

Climate Change Committee publishes its 2025 Progress Report to Parliament

JUNE/JULY

Government will publish new guidance on voluntary community funds

JULY

Outcome of Review of Electricity Market Arrangements (REMA) announced

We hope you find this guide a useful framework to understand how to navigate the external environment impacting the energy sector and align your organisation's strategic communications with these priorities. To explore our analysis in more detail, and arrange a presentation and discussion to understand how these points apply specifically to your organisation, sector and situation, please get in touch.

ANGUS HILL

Senior Director, Energy

angushill@wacomms.co.uk
07736 889848

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contact@wacomms.co.uk
@WA_Comms

wacomms.co.uk