



Department for  
Business, Energy  
& Industrial Strategy

Rt Hon Kwasi Kwarteng MP  
Secretary of State  
Department for Business,  
Energy & Industrial Strategy  
1 Victoria Street  
London  
SW1H 0ET

T +44 (0) 20 7215 5000  
E [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk)  
W [www.gov.uk](http://www.gov.uk)

Rt Hon Philip Dunne MP  
House of Commons  
London  
SW1A 0AA

7 June 2021

Dear Philip,

Thank-you for your letter, dated 29 April 2021 regarding the evidence session on community energy as part of the Environmental Audit Committee's (EAC) inquiry into *Technological innovations and climate change*.

Your letter makes four key recommendations. Firstly, as you point out, the Government's upcoming Net Zero Strategy will be published later this year and I intend that this will include our future plans for community energy. I anticipate that this will act in lieu of a specific strategy on community energy. As we develop the Net. Zero Strategy we are engaging with the Devolved Administrations and community groups.

On financial support, as you are aware, we have a Comprehensive Spending Review later this year. Many of your suggestions, such as the continuation and expansion of the £10m Rural Community Energy Fund would require new funding and as such will be considered as part of that wider process.

Your letter specifically mentions the Smart Export Guarantee (SEG). As we set out in our written evidence, SEG is a new mechanism that significantly differs from previous policies. It was not designed to replace the Feed-In Tariffs scheme (FIT), but rather to be a cost-reflective and market led mechanism, helping to level the playing field for small-scale low-carbon generation whilst supporting the transition to a smart and flexible energy system. At the time of its introduction, the main objective was to facilitate a competitive market.

To enable the SEG to be market based and encourage innovation, one of the key features was to allow suppliers to set both the tariff levels and structure. It was not considered appropriate to mandate a SEG floor price and/or minimum contract length and our position has not changed. In respect of the need for a floor price, we have seen the market respond positively with some tariffs on offer above both the wholesale price of electricity and the current FIT export tariff.

When we review Ofgem's SEG report and assess whether small-scale generators are able to effectively sell electricity to the grid, we will consider whether there are any further barriers to deployment that need to be addressed at this scale in light of the Net Zero delivery challenges we face.

Finally, on local authority engagement, I wish to reassure you that we are regularly in contact with a wide range of stakeholder groups representing Local Government. We have funded every Local Enterprise Partnership in England to develop local energy

strategies and our local energy programme provides support to help local authorities develop local area energy plans.

I hope you will find this reply helpful.

Yours ever,

A handwritten signature in black ink, appearing to read 'Kwasi Kwarteng', is centered on the page. The signature is written in a cursive style with a horizontal line above the 'K'.

**RT HON KWASI KWARTENG MP**  
Secretary of State for Business, Energy & Industrial Strategy