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- ***Living with the variants***
- ***UK entrepreneurs***
- ***Business building***
- ***Renewable energy***

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Foreword

Professor Charles Chatterjee
Editor-in-Chief

"Despite the cycle of innovation in both technology and medicine, the last two years will go down in history as an immeasurable tragedy. The death toll in the first, second and third wave of Covid-19 puts our understanding of the virus in question; however, our attempts at inventions and innovations may not be stopped.

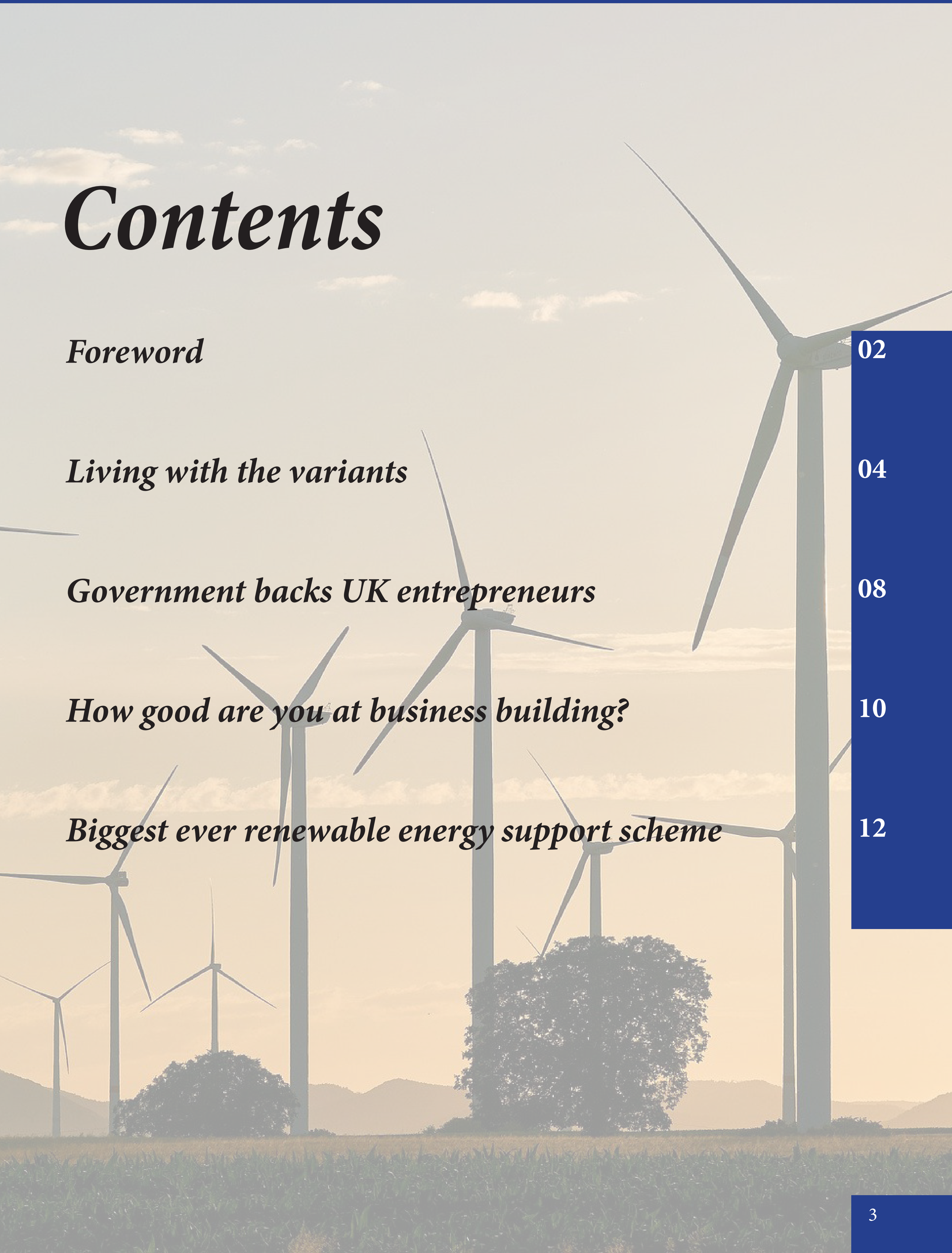
A Barrister and a former legal consultant with the World Health Organization and the International Labour Organisation, a Senior Research Fellow at the Global Policy Institute, visiting academic at Warwick University amongst other universities including Business School of England, I see the business outlook optimistically.

There are two aspects of research culminating in books and articles that I find invaluable. First, there should be a dynamic thinking process; second, the materialisation of that process. This edition of the Business Outlook Journal introduces articles and research output that places it in the core DNA of winning companies. I am certain that, in the future, it will address various business R&D in addition to generating knowledge in various fields.

Expertise in dispute resolution through negotiation and conciliation processes, which also requires leadership qualities, has become a part of my career. One should understand that personal development is an evolving process that never ends.

When I look at successful champions and great CEOs of our time such as Bill Gates, Elon Musk, Tata and others, I see leaders who have gained experience by making learning and development a cornerstone of their business models.

Through this journal I envisage the readers will develop leadership qualities and explore creative ideas, and apply them in the appropriate fields of business."



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Living with the variants

We have lived with COVID-19 for two years, and Omicron is unlikely to be the last variant challenging our economy: so how can we move forward with coronavirus and its variants?

Successful economies are built on confidence. The government's decision to take swift action in response to the emergence of the Omicron variant was the right one. The move to Plan B, whilst disappointing businesses, represents a pragmatic and sensible step to curb the virus. But whilst the measures introduced are moderate, the message is rather more severe.

The government is right to act when new data comes to light, but we are concerned that this rhetoric is creating a lockdown mentality when in reality the proposed measures are far short of that. The result is a double whammy to firms who see demand fall without commensurate support. We must beware of unintended consequences to the economy.

The economy should remain open if feasibly safe to do so in the coming weeks. The bar should be high when it comes to introducing any new restrictions on economic activity beyond Plan B. More effort must go into promoting actions alongside the booster campaign that can build confidence and protect public health, like regular lateral flow testing and mask wearing.

Having spent the last 20 months oscillating back and forth between open and closed, between freedom and restrictions, we need consistency of approach. Omicron is unlikely to be the last variant that challenges both the country and the economy. So, the question is: how do we learn to live confidently, with both the virus and its variants?

COVID-19 stabilisers:
When there are short-term changes impacting the economy, governments are able to rely on 'economic stabilisers' to help balance shifts in the economic cycle and maintain confidence. We now need to channel this approach as we learn to live with the virus and its variants.

Building on the CBI's New Settlement document, the CBI has identified six 'COVID-19 stabilisers' for living confidently with Omicron, as well as any future variants.

These are:
- Forward guidance to support business adaptation
- Prioritise mass-testing over mass self-isolation & working from home
- Utilise all 'COVID-secure' tools available to build employee and customer confidence
- Maximise our world-leading vaccine and anti-viral programmes
- Proportionate border controls so the UK remains open to the world
- Support to move in lockstep with restrictions.

Clarity to end confusion:
The immediate challenge for the government is to rebuild confidence. In the build-up to the hugely important Christmas period, this means confidently keeping the economy open whilst also boosting public confidence to participate in it. To help relieve the confusion, the government must make it clear what it is aiming for in terms of economic activity and how it will enable that to happen.

Consistency to build confidence:
The challenge facing the economy has a longer time horizon than the 5 January review date. No one can predict where the virus may go next. But to stop the oscillation in our economy, we need to find a greater consistency.

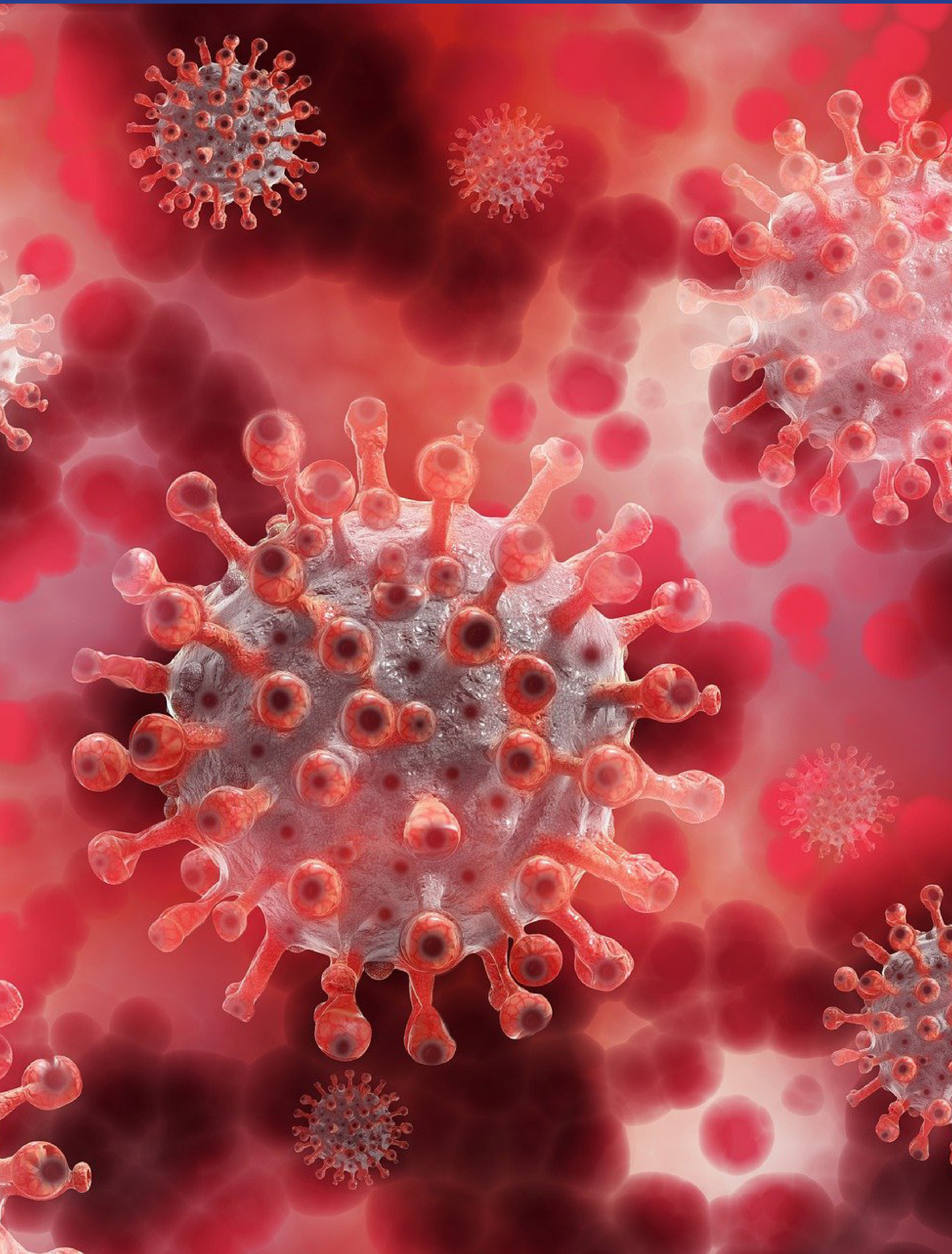
COVID-19 stabiliser one: forward guidance to support business adaptation

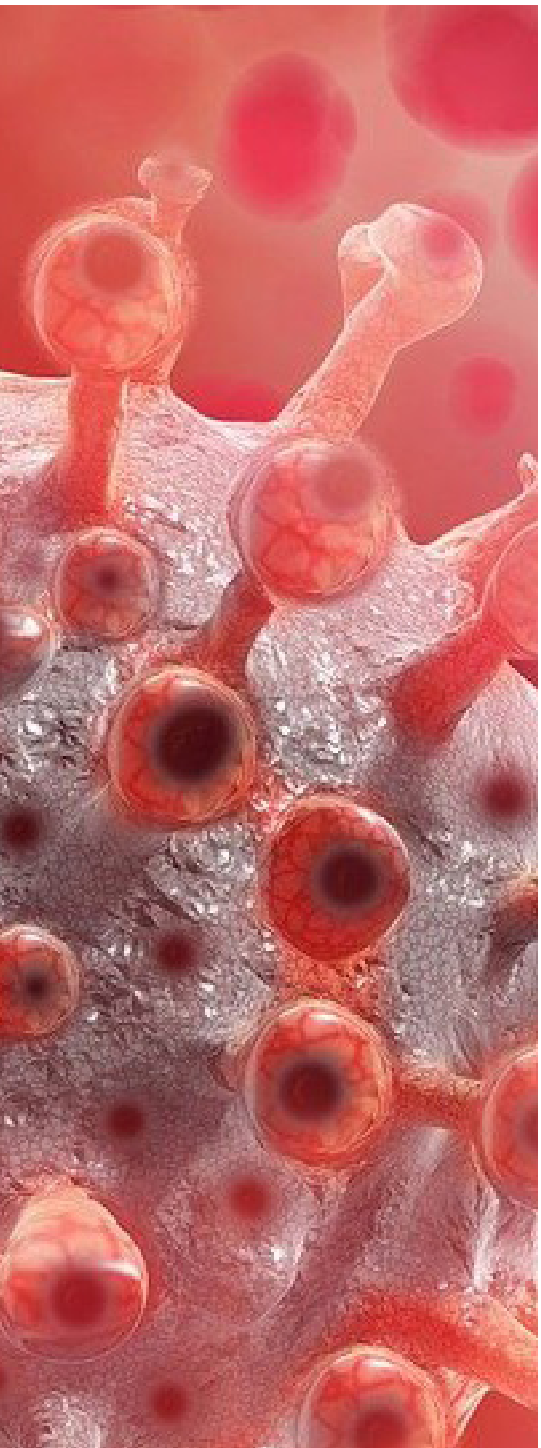
Actions to be taken now: To help give businesses, employees, and customers confidence to live with Omicron, government should:
- ensure 'economic impact' is given prominence alongside public health data in the government's regular public communications to ensure full transparency of the overall impact of Plan B measures
- use the 5 January review to outline a roadmap for the return to office, drawing on the success of the booster campaign, testing, COVID-secure workplaces and antiviral treatments
- confirm if the government has identified further interventions if required, and if so, publish these ahead of 5 January, along with details of the government's tests for bringing these into effect so businesses can plan effectively for different scenarios.

Actions to be taken going forward: To provide greater consistency for businesses, whenever a new variant is discovered, government should:
- give firms as much forward guidance as possible ahead of the introduction of new measures and frequently review the timeline of existing restrictions
- provide consistent messaging across government on the interpretation and implementation of any new guidance.

COVID-19 stabiliser two: prioritise mass-testing over mass self-isolation & working from home

Actions to be taken now: To help give businesses, employees, and customers confidence to live with Omicron, government should:
- confirm access to the required stocks of lateral flow tests (LFTs) and address the current supply challenges to deliver on the expected demand surge over the Christmas period
- immediately update the public messaging to a 'test when you go out' focus, to increase the regularity of individual testing, boost confidence and manage the spread of the virus
- confirm ahead of the 5 January review that pupils and students at nurseries, schools and universities will be allowed to follow the same approach as adults for close contacts of COVID-19 cases, with a system of daily lateral flow tests at home,





so that education is not disrupted, and parents can go to work
- use the 5 January review to announce the continuation of government-funded rapid mass testing for business and the public alike beyond March 2022, including the reintroduction of a government-funded workplace testing scheme. Government should work with industry to support the delivery of sector-appropriate models.

Actions to be taken going forward: To provide greater consistency for businesses, whenever a new variant is discovered, government should:
- scale-up the availability and processing of PCR testing to successfully track the spread of an emerging variant
- maintain a 'test to release' scheme to prevent mass self-isolation of close contacts of those with confirmed new variants
- reintroduce a 'test before you go out' campaign, underlining the role of personal LFT testing in managing risk and reducing transmission
- fund rapid mass testing for business and the public alike, including workplace testing schemes.

COVID-19 stabiliser three: utilising all 'COVID-secure' tools available to build employee and customer confidence

Actions to be taken now: To help give businesses, employees, and customers confidence to live with Omicron, government should:
- provide immediate clarity on whether face coverings are mandatory if deployed alongside other interventions, such as perspex screens
- have the ICO regularly review and update the data requirements for firms via the new COVID-19 Status Certification (CSC) scheme in response to business feedback. Any initial findings should be made available as part of the 5 January review
- provide immediate legal guidance on the liability of firms if a customer falsifies a CSC.

Actions to be taken going forward: To provide greater consistency for businesses, whenever a new variant is discovered, government should:
- reintroduce mandatory face covering requirements in continuous close contact settings, such as public transport and retail settings, providing clear guidance on enforcement and regular communication on review periods
- review, update and deploy the 'safer working guidance' co-created by government, business, and trade unions.

COVID-19 stabiliser four: maximise our world-leading vaccine and antiviral programmes

Actions to be taken now: To help give businesses, employees, and customers confidence to live with Omicron, government should:
- provide full details of the efficacy of the booster vaccine against the Omicron variant as soon as the data is available, and ahead of the 5 January review
- work with businesses to support volunteering to help with the booster delivery programme.
- encourage firms to be as flexible as possible in supporting employees to get their vaccine/booster vaccine during working hours
- deploy MHRA-approved antiviral treatments at pace, making them widely available.

Actions to be taken going forward: To provide greater consistency for businesses, whenever a new variant is discovered, government should:
- deliver a communications campaign on the safety and efficacy of the vaccine and need for booster vaccines, to tackle waning immunity and new variants
- provide sufficient funding for winter flu and COVID-19 boosters in 2022 and

2023, to help keep people safe and the economy moving
- use treatments such as antivirals at scale as soon as they are authorised by the MHRA.

COVID-19 stabiliser five: proportionate border controls so the UK remains open to the world

Actions to be taken now: To help give businesses, employees, and customers confidence to live with Omicron, government should:
- immediately review the current pre-departure testing requirements for travellers returning to the UK with the further ambition of lifting further testing requirements as soon as lower infection rates allow, and based on evidence
- provide immediate clarification on pre-departure testing requirements for those who are fully vaccinated but have tested positive 90 days prior to departure
- address the need for affordable PCR testing, if testing requirements remain, to help protect demand for international travel.

Actions to be taken going forward: To provide greater consistency for businesses, whenever a new variant is discovered, government should:
- provide transparency around how decisions on any international travel restrictions are made and the conditions/ metrics that would prompt a change in response
- introduce clear, regular review periods for any international travel restrictions with a view to a return to restriction-free travel
- utilise lateral flow testing (LFTs) for non-vaccinated passengers with 'on arrival' PCR testing only used as a tool for tracking the emergence of new variants during the early days of their identification.

COVID-19 stabiliser six: support to move in lockstep with restrictions

Actions to be taken now: To help give businesses, employees, and customers confidence to live with Omicron, government should:
- work now to ensure unspent Local Authority grants are quickly distributed to firms, including the Additional Restrictions Grant and the Business Rates relief fund and consider re-opening closed grants where funding remains
- confirm that support will be provided to ensure sufficient community testing and the booster roll out continues at pace, alongside anti-viral development and distribution
- create a formal engagement forum for business, government and unions to give feedback on the current situation, in particular to ensure firms continue to have adequate cash flow.

Actions to be considered now: If restrictions continue or new interventions are introduced as part of the 5 January review, announce measures to support businesses with suppressed demand and where support for cash flow is required, including the smoothing of March cliff-edges in current support. For example (but not limited to):
- review forbearance mechanisms for coronavirus loan schemes, including repayment holidays, interest-free periods and repayment periods - creating more breathing space for large firms
- Pay As You Grow has been effective for bounce back loans, so it is essential for HMT to push awareness to ensure businesses are clear on the options available, and flag debt restructuring as a course of action for larger firms, as well as the Recovery Loan Scheme
- extend measures to reduce the fixed costs of businesses, particularly in sectors such as aviation (including the Airport and Ground Operations Support Scheme – AGOSS), hospitality and leisure and their supply chains, and increasing the cap on Business Rates relief
- commit to reinstating direct grants disbursed via the business rates system for any business which is mandated to close by the government • consider a Q1 VAT payment deferral option, for those firms who have experienced a dramatic negative impact on their revenues or bookings
- delay the planned return to the full rate of VAT for hospitality, holiday accommodation and attractions firms and consider including their supply chains and leisure businesses within scope
- consider a Q1 VAT payment deferral option, for those firms who have experienced a dramatic negative impact on their revenues or bookings.

Actions to be taken going forward: To provide greater consistency for businesses, whenever a new variant is discovered, government should:
- give firms confidence by confirming a principle of support for affected industries being delivered in lockstep with restrictions
- maintain Statutory Sick Pay and the NHS Test and Trace COVID-19 Support Payment for individuals who are self-isolating.

We must always be guided by the medical experts, and we need to learn to live with the virus and its variants. The objective is consistency – of message, approach, and support. These 'COVID-19 stabilisers' are what should guide us going forward in the face of new variants, new waves, the risk of waning immunity of vaccines, and a possible winter flu escalation.

The CBI is the UK's premier business organisation, providing a voice for firms at a regional, national and international level to policymakers. Our Purpose — helping business create a more prosperous society.

Government backs UK entrepreneurs *with tech support and software to help them grow*

Help to Grow: Digital scheme launches to support small businesses with discounted software and free advice.

Department for Business, Energy & Industrial Strategy, Department for Digital, Culture, Media & Sport, HM Treasury, The Rt Hon Kwasi Kwarteng MP, Lord Callanan, The Rt Hon Rishi Sunak MP, and Chris Philp MP

Help to Grow: Digital scheme launches - part of the government's flagship support programme for small businesses scheme provides businesses with discounts of up to £5,000 on approved Digital Accounting and Customer Relations Management (CRM) software dedicated website providing free, impartial support now open to boost businesses' digital skills

The government's Help to Grow: Digital scheme – designed to support smaller businesses in adopting digital technologies so they can grow – opened for applications on 20 January.

Under the scheme, eligible businesses can now receive discounts of up to £5,000 off the retail price of approved Digital Accounting and CRM software from leading technology suppliers. This software will help them to effectively manage their finances and build customer relationships, ultimately levelling up the way businesses are run and helping them to scale up.

From today, businesses can also access practical, specialised support and advice on how to choose the right digital technologies to boost their growth and productivity through a new online platform.

The new Help to Grow: Digital scheme sits alongside the Help to Grow: Management scheme launched in 2021 as part of wider government efforts to back businesses and level up the economy.

Through Help to Grow: Digital, the government is providing business leaders with the advice and funding they need to embrace digital technology and help their business grow.

Business Secretary Kwasi Kwarteng said:
I want UK businesses to be primed and ready to seize all the opportunities on the horizon as we build back better from the pandemic.

Adopting technology means higher performance, and the Help to Grow: Digital scheme is future-proofing our small businesses and putting the UK at the forefront of the worldwide digital revolution.

The Chancellor of the Exchequer Rishi Sunak said:
Small and medium sized businesses are the backbone of our economy, creating jobs and prosperity across the UK.

When I announced this at Budget I said we wanted to help businesses become more innovative, more competitive and more profitable and I am excited this programme allows them do that.

Help to Grow: Digital will help them to grow and flourish by adopting new technologies that are proven to improve processes and boost productivity, levelling up their digital technology and skills.

Mike Cherry, National Chair at the Federation of Small Businesses, said:
Small businesses are often keen to embrace new technologies, but we know that 1 in 4 lack confidence in their own basic digital skills. For those small firms who are eligible, providing the means to make improvements through projects like this will make a real difference for those that are keen to expand their knowledge and skills.

Our own research has shown that just 40% of small business owners have used applications like cloud services and online data storage or back-up. It's crucial that practical changes like this scheme are put in place to help small firms adopt digital technologies, making improvements to their own business and driving growth.

We're encouraging as many eligible small firms to apply and make the most of this new scheme.

Business Minister Lord Callanan said:
Tech is proven to boost business productivity and help firms, however big or small, to work better.

The cost-effective support, advice and software offered through Help to Grow: Digital will help to level up the UK economy, backing jobs and growth and bolstering the ability of our businesses to compete globally.

Tech and Digital Economy Minister Chris Philp said:
We're working hard to make sure small businesses can capitalise on technology's potential to give people new skills, create jobs and power growth in the economy.

The support and advice provided by this new scheme will supercharge small businesses and build a workforce with tech talents fit for the future.

Lord Karan Bilimoria, CBI President, said:
The launch of Help to Grow digital will help thousands of SME businesses invest in technologies. Supporting businesses on their digital transformation journey is fundamental to unlocking economic growth, boosting productivity and creating a more resilient future for firms.

The financial support and practical guidance offered under this scheme as well as under the Help to Grow: Management of which I'm a member on the advisory council, will be a valuable additional resource to business leaders.

Driving greater technology adoption continues to be a central aspect of the government's Innovation Strategy, and will be essential in delivering a high skill, high wage economy.

Through the Help to Grow schemes, the government is helping businesses to boost

their productivity with training and software that is proven to get results.

This is also just the start of the new scheme. The government is looking to bring on further products that will help small and medium-sized businesses to grow, including new software to help businesses maximise their sales online.

Help to Grow: Management offers business leaders management and leadership training. Designed to be manageable alongside full-time work, businesses receive 50 hours of training across 12 weeks.

The course is 90% funded by government and delivered by leading business schools across the UK, with the support of experienced entrepreneurs and leading figures from industry.

Courses have been running at business schools across the UK since June.

Additional Information
The Help to Grow: Digital scheme is delivered through a new online platform

To qualify for the financial discount through Help to Grow: Digital, businesses can be from any business sector, but must meet all 4 of the following criteria:

- be a business based in the United Kingdom registered with Companies House or be a registered society on the Financial Conduct Authorities Mutuals Register
- be employing between 5 and 249 people.
- have been actively trading for over 12 months, and have an incorporation date of at least 365 days prior to application
- be purchasing the approved software for the first time
- eligible businesses will receive one financial discount towards the purchase of one approved software product up to a maximum of £5,000 (not including VAT) in Customer Relationship Management and Digital Accounting software product categories
- additional software product categories will be available with the discount soon, including e-Commerce software
- the financial discount covers 12 months' worth of approved software product core costs, exclusive of VAT

The approved technology suppliers on the Help to Grow: Digital online platform for wave 1 are:

Customer Relationship Management (CRM) software

- Capsule CRM
- Zymplify
- Livepoint Software Solutions Ltd
- Gold-Vision CRM
- Deskpro Ltd

Digital Accounting software

- Sage
- Intuit Ltd
- Crunch

Customer Relationship Management (CRM) software allows businesses to store their customer contact and order data all in one secure, central location. CRM has the capability to simplify business processes and enable businesses to be more profitable and efficient.

Businesses who use CRM systems to manage their sales and customers see on average an 18% boost to their productivity.

Digital Accounting software makes essential business finance tasks like raising invoices, tracking spend, and sharing information easier to manage. Businesses who adopt Digital Accounting software see on average an 11.8% increase in employee sales over 3 years.

To find out how your business can get Help to Grow, visit the GOV.UK Help to Grow page.

Department for Business, Energy & Industrial Strategy

How good are you at business building?
A new way to score your ability to scale new ventures

Did your last great idea fail to take off? You're not alone—only 22 percent of new businesses launched in the past 10 years scaled up successfully. And that's a problem in a world where two-thirds of the value created in new-business building comes from getting to scale. Analysis of the issues uncovered several practices that make a difference, and a new metric called the Leap Quotient offers a lens for understanding whether a new business is ready to be scaled up. Check out the research, and see how a focus on scalability can help companies building new businesses go from good to great.
— Torea Frey, managing editor, Seattle

The Leap Business-Building Quotient highlights what matters in creating new ventures.

Why do so many great ideas just fail to take off? For all the importance of business building—it's a top three priority for 52 percent of companies, up from 30 percent two years ago—companies struggle mightily to get a good idea over the hump so that it becomes a big-time success. Only 22 percent of new businesses launched in the past ten years have successfully scaled. That's a big problem, because two-thirds of the value created in new-business building is actually created in the scale-up phase.

Leaders do the basics across the board and then excel in a few core areas

In our experience at Leap by McKinsey, executives have plenty of explanations for why their new businesses fail to scale, from poor operations to insufficient talent to simply bad luck. But in many cases, these explanations are based on gut feeling or frustration looking for an outlet, not on a deep understanding of the facts. So we have reviewed more than 200 scaled corporate new businesses around the world to understand what the issues are. The analysis provides four important lessons:

1. There are seven core-business scaling dimensions and 28 practices that determine the success of scale-ups. Organizations that perform well across all dimensions and their practices are three times more likely than the average to scale their new business.1 Overall, companies perform best in the "product and strategy" dimension, with 63 percent meeting the bar. Conversely, companies score lower on the "go-to-market" dimension.

2. Getting to scale requires companies to hit a baseline of competence in every dimension and practice. Doing well in six of the seven dimensions is not enough. Indeed, failure in even a single practice within a dimension can be enough to torpedo a company's scaling ambitions. We find that 70 percent of the analyzed scale-ups don't meet the bar in at least one dimension. A new venture launched by a media company, for example, met or even exceeded the base level in the majority of the practices across the seven dimensions. However, lagging in five of the practices was enough to doom its efforts.

3. The best performers hit the bar across all practices, and they excel at a number of them. Overall, four practices stand out: architecture (that is rigorously scalable), operating model (supported by processes that scale), customer insights (that are targeted and applied to product development), and talent and performance management (grounded on entrepreneurial talent). Which practices matter most can vary based on the business itself. If a company is launching a commodity, then it needs to especially excel at go-to-market practices. But for a company with a more complex product or service, excelling at customer insights to drive product development and feature building are essential.

4. Companies tend to have a poor understanding of their own capabilities. While 80 percent of the surveyed scale-ups address the practices to some degree and conclude they are doing a decent job, a more rigorous analysis shows that only 20 percent meet best-practice standards.

How a leading international manufacturing firm went from good to great

A leading international manufacturing firm, renowned for its engineering excellence and strong R&D pipeline, had a strong record on incubating new businesses. But that success did not extend to scaling, which rarely delivered on the potential of those businesses, so the company decided to focus more specifically on improving its scaling practices. Using the LQ framework, it moved to reach baseline levels in each dimension and then to excel at a number of the practices that were most relevant to its business. Here is what it did across three of those practices.

1. Customer insights: Co-create with customers

One of the defining root causes for the business's lack of success in scaling promising minimum viable products (MVPs) was that its software-developer culture demanded technical perfection before launching products to the broader market. This meant that while the company ran selected focus groups, it did not test concepts and initial prototypes with its actual customers. This not only eliminated valuable feedback from product users but also meant that product development was often too centered on internal needs and unvalidated assumptions.

When launching its new industrial IoT-solution business, executives decided to radically improve how they worked with customers to develop insights. Before even starting with actual product development, for example, they produced a 3-D simulation to visualize their analytics product's concept, illustrate its potential benefits, and enable better testing with potential customers.

They presented the simulation at the industry's flagship event. Importantly, they went out of their way to invite people from different industries to take a look and try it out. Customers got a good sense of the product and its benefits and provided real-life feedback

that pointed out use cases that the company had originally not thought of. A representative from a chemical manufacturer, for example, saw how the video tool could be used to analyze and detect anomalies in production. A large restaurant owner saw how the solution could help optimize its seating. Both signed on to help co-create their versions of the product and committed to pilots on the spot. Further "immersion dates," when leaders from a range of far-reaching sectors were invited to review the product, helped to convince potential customers to commit to jointly developing and rolling out the new solution. As a result, this business became one of the top three performers in the sector in less than three years.

2. Operating model: Set up a scalable operating model from the start fueled by entrepreneurial talent

The industrial incumbent was strong in setting up a successful foundation for launching new businesses. It empowered the founding team and provided it with autonomy in launching the new business. Not surprisingly, however, the founders often focused solely on what they were most excited about: developing the MVP and winning first customers. In contrast, they generally lacked the talent and experience needed to establish an organization and processes for scale. Among the many issues this caused was that as the ventures started to scale, the founders rapidly hired people but ended up with more direct reports, sometimes as many as 15, than it was able to manage effectively.

LQ scores highlighted this issue within operations, so the company took two measures to set up the operating model and processes for scale from the start:

The business brought in new talent to develop leadership teams that combined entrepreneurs and experts with experience operating large organizations. These experts knew how to successfully delegate and manage tasks across the organization and set up back-office structures, from accounting to operations, to create a scalable organizational backbone. They established collaboration training, put in place project-management tools, and institutionalized agile ceremonies such as stand-ups, sprint planning, and retrospective feedback meetings. These practices helped prevent rework and information discrepancy when new businesses started to scale.

In quarterly reviews, leaders assessed whether the venture's operating model needed to be adapted. One issue they often had to address was that as product development progressed—for example, as new features were introduced—the team grew to the point that it could no longer work effectively in agile ways. So the leaders would break the team up into smaller "feature" teams focused on specific aspects of the product.

3. Feature build: Develop technology that creates a competitive advantage and source the rest

As part of a manufacturing conglomerate that enjoyed excellent engineering capabilities, the new ventures often developed the majority of the tech stack themselves. The problem with this approach was that engineers were working on commoditized tech rather than focusing on where the business was differentiated. For example, a double-digit team built proprietary accounting and billing systems, even though they had no impact on the customer experience and there were already plenty of good options in the marketplace.

Start-ups don't act this way, often because of the pressures of limited time and funding. They build what is crucial to their business and either buy, use existing open source, or "rent" services for the rest. Learning from its experience, the conglomerate decided to set up rigorous criteria for making versus partnering versus buying decisions and rolled out two core rules throughout all entities: 1) develop technology and software only if no suitable solution can be found on the market and/or the new technology creates a relevant, competitive advantage for the company, such as protection of intellectual property; and 2) use or adapt solutions from the mother company only if they are better and cheaper than solutions offered by the market.

Following these criteria led to a roughly 30 percent decrease in technology costs for new ventures and accelerated the setup speed for their technical infrastructure from two months to two weeks.

Business building requires a holistic approach from idea to successful scale-up. Developing a healthy LQ has proven crucial for businesses to achieve the full potential value of scaling new businesses.

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Biggest ever renewable energy support scheme opens

The fourth round of the Contracts for Difference (CfD) scheme which aims to secure 12GW of electricity capacity opens with £285 million a year funding for low-carbon technology.

Department for Business, Energy & Industrial Strategy, The Rt Hon Greg Hands MP, and The Rt Hon Kwasi Kwarteng MP

- Biggest ever round of government's flagship renewable energy auction scheme opens with £285 million a year funding for low-carbon technology moving the UK away from volatile foreign fossil fuels
- fourth round aims to secure more capacity than 3 previous rounds combined with additional offshore wind capacity that could generate electricity equivalent to powering around 8 million homes
- offshore wind will be supported by £200 million funding a year, with £24 million initially allocated for floating offshore wind and £20 million on tidal stream projects – with solar and onshore wind included for first time since 2015

The biggest ever round of the UK government's flagship renewable energy support scheme is opening to applications today (Monday, 13 December), with £285 million available a year for building the next generation of Great Britain's green energy projects.

Renewable energy projects across Great Britain can now bid for funding in the fourth round of the Contracts for Difference (CfD) scheme, which is aiming to secure 12GW of electricity capacity - more renewable capacity than the previous 3 rounds combined. The additional offshore wind capacity resulting from the funding alone could generate enough electricity to power around 8 million homes.

Compared to the previous round, this is open to an expanded number of renewable energy technologies, with offshore wind, onshore wind, solar, tidal and floating offshore wind projects, amongst others, all eligible to bid for funding in the scheme's auction process – this will ensure we have a more secure, more resilient energy system and support the UK's transition to net zero through a greater range of energy sources.

The competitive nature of the CfD scheme has been hugely successful in driving the deployment of renewable energy across Great Britain whilst rapidly reducing costs. The scheme's design has led to the price per unit of offshore wind to fall by around 65% between the first allocation round (AR) in 2015 and the third in 2019.

Business and Energy Secretary Kwasi Kwarteng said:
Our biggest ever renewables auction opening today will solidify the UK's role as a world-leader in renewable electricity, while backing new, future-proof industries across the country to create new jobs.

By generating more renewable energy in the UK, we can ensure greater energy independence by moving away from volatile global fossil fuel prices, all while driving down the cost of new energy.

A total budget of £285 million a year has been allocated to the fourth round, with £200 million available for offshore wind, £75 million for emerging technologies, such as remote island wind, tidal stream and floating offshore wind, and £10 million for established technologies, such as solar and onshore wind.

Within emerging technologies, £24 million a year has been ringfenced for floating offshore wind projects and £20 million initially set aside for tidal stream projects, demonstrating the government's support for new, innovative technologies that can make an important contribution to the UK's decarbonisation commitments.

The £20 million per year support for tidal stream projects represents the biggest investment into tidal power in a generation, kickstarting a brand-new chapter for the tidal

industry that could also have the benefit of creating jobs across the UK.

Onshore wind and solar are competing in an allocation round for the first time since 2015, and the government is seeking significant capacity from these technologies which will help us achieve the required levels of deployment in line with meeting climate change targets.

Subject to the outcome of the competitive auction, it is expected that AR4 will be a major step towards delivering the government's increased ambition to have 40GW of offshore wind by 2030, including 1GW to come from floating offshore wind, as set out in the Ten Point Plan for a Green Industrial Revolution.

Energy and Climate Change Minister Greg Hands said:
The Contracts for Difference scheme is proof that green and growth go hand-in-hand as it continues to be a key driver behind the

world-leading renewable energy sector that is providing us with secure clean energy, creating jobs across the UK and opening investment and export opportunities.

The previous 3 rounds have allowed us to push forward with the Green Industrial Revolution and this round will take us further and faster than ever before while continuing to drive down costs for consumers.

There has also been a strengthening of the supply chain plan process, so the CfD's fourth round can support the effective development of open and competitive supply chains and promote innovation and skills in the low-carbon electricity generation sector.

RenewableUK CEO Dan McGrail said:
This is set to be a landmark auction securing the largest amount of new renewable energy capacity so far, as ministers have listened to our calls for the overall capacity cap to be lifted to reflect the enormous appetite among companies and investors in UK projects.

More than 16GW of wind could be ready to compete and over 23GW of renewables overall. We could see investment of over £20 billion in this round, creating thousands of jobs and cutting costs for energy consumers.

We need a range of renewable technologies to get us to net zero as fast as possible, so it's great to see the development of innovative floating wind and tidal stream projects supported by ring-fenced funding, as we've been advocating. This will enable us to ramp up the roll-out of these cutting-edge technologies, building up massive industrial opportunities for the future, including exports.

Low Carbon Contracts Company CEO Neil McDermott, said:
We've been supporting new low-carbon power projects through the CfD scheme since its inception, so we're incredibly excited to see what the next Allocation Round brings. The current CfD portfolio features projects located across the length and breadth of Great Britain, including some of the world's largest offshore wind farms to date.

We've seen the scheme's impact on diversifying and increasing the investment needed to support vital new low-carbon power, and this year's COP26 only served to underline the critical timing of this round.

We've learned a fantastic amount to date and we stand ready to support the ambitious infrastructure that will power the UK's transition to Net Zero emissions by 2050, as well as protecting the long-term health of our environment, economies and societies.

Key points (£ budgets in 2011/2012 prices):

Pot 1: Established technologies (includes Onshore wind, Solar and Hydro):
- £10 million pot budget
- 5GW capacity cap
- maximum capacity limits of 3.5GW imposed on both onshore wind and solar PV

Pot 2: Less-established technologies (includes Floating Offshore Wind, Tidal Stream, Geothermal and Wave):
- £75 million pot budget
- no capacity cap
- within the £75 million total, £20 million ringfenced funding for tidal stream projects and £24 million initially ringfenced funding for floating offshore wind projects

Pot 3: Offshore wind:
- £200 million pot budget
- no capacity cap

The latest round of the CfD scheme supports the Prime Minister's Ten Point Plan for a Green Industrial Revolution, which outlines an ambitious vision of a low-carbon future for the UK, and will ensure that clean energy continues to play a key role in ending our contribution to climate change entirely by 2050.

Notes to editors
- the Contracts for Difference fourth allocation round will close to applications on 14 January 2022, with the final results of the auction expected to be announced in spring-summer 2022
- Contracts for Difference are 15-year private law contracts between renewable electricity generators and the Low Carbon Contracts Company (LCCC), a government-owned company that manages CfDs at arm's length from government
- contracts are awarded in a series of competitive auctions, known as allocation rounds, which have been run approximately every 2 years. In the auction process, the lowest price bids within each pot and/or ringfence are successful, which drives efficiency and cost reduction
- CfDs give greater certainty and stability of revenues to electricity generators by reducing their exposure to volatile wholesale prices, while protecting consumers from paying for higher costs when electricity prices are high
- the scheme has delivered substantial new investment and helped deliver significant reductions in the costs of capital for some renewable technologies
- CfD auctions (together with the bespoke CfD contracts signed in the early days of the scheme) have so far awarded contracts to around 13GW of offshore wind and around 16GW of new renewable electricity capacity across all technologies in 58 projects
- monetary support (pot budget) estimates in this notice, including the £285 million total figure and split across the 3 pots, are presented in 2011/2012 prices in line with the Control for Low Carbon Levies. These figures are an estimate of annual support in the most expensive year in the first 4 years following deployment. Actual annual figures will vary over the lifetime of the contract depending on future wholesale electricity prices, and outcomes of the competitive auction process

Information on methodology behind 'homes powered' estimates:

- the '8 million homes' estimate is based on the estimated consented pipeline for offshore wind (around 7 GW). Actual generation secured through this allocation round will vary based on the outcome of the competitive auction process, and given the large number of projects from other technologies competing in the round
- this has been calculated using load factor estimates for offshore wind commissioning in 2025 from the published 2020 BEIS Generation Costs Report, and published estimates of average household electricity consumption
- importantly, wind generation is intermittent - it is not possible to continuously power a home through wind alone

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