United kingdom energy storage investment trends

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This response confirms the government"s intention to create a cap and floor scheme to unlock investment for Long Duration Electricity Storage (LDES) projects, our preferred policy approach.

Ofgem has agreed to act as the regulator for LDES, which encompasses the role as the investment framework delivery body, as well as setting out some high-level decision on the scale and scope of the scheme.

The responses were mostly supportive of a cap and floor mechanism for LDES and provided helpful information to guide our thinking in reaching the positions set out in the government response.

Long duration electricity storage can provide an important contribution to decarbonising our energy system. For example, it can store renewable power and discharge it during periods of low wind. However, evidence suggests that it faces investment challenges under current energy market frameworks, meaning it has struggled to deploy at scale at present.

This consultation sets out our intention to develop a cap and floor mechanism to overcome the investment barriers we have identified. The consultation seeks views on several elements of our approach, including eligibility criteria for assessing applications, the design of the cap and floor mechanism and our proposed options for delivering the scheme.

In the dynamic realm of the energy storage market, the United Kingdom has undergone a remarkable transformation over the years – evolving from a modest four pumped hydro plants to a robust network of 115 battery energy storage (BESS) plants.

Delving into key statistics and emerging trends, the report outlines the current state of energy storage, identifies key players entering the market, explores diverse technological opportunities, and more.

While BESS and pumped hydro account for all utility-scale storage in the UK, there are substantial opportunities for other technologies e.g. "green, hydrogen, thermal energy storage, gravity storage, compressed-air energy storage and liquid air energy storage.

To meet Net Zero, there seems to be a consensus that up to around 30GW of utility-scale BESS capacity is needed. However, changes to National Grid"s connection policy at the end of 2023 will also impact upon investment decisions in current and proposed projects.

There could be at least 3, possibly 4, pumped hydro schemes that will go ahead during the period 2025-2031, thereby increasing cumulative generation from 19GWh to over 90GWh, near the 2035 National Grid"s target

of 100GWh of non-battery storage.

National Grid and other DNOs face a challenge of building five times more infrastructure in the next seven years than in the last thirty, to facilitate a more flexible grid and connect green energy projects.

Pumped hydro is the global leading grid storage, but battery energy storage systems (BESS) are rapidly increasing in number as more developers and investors seek to address Net Zero and its financial incentives.

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