

Public Sector Decarbonisation Scheme update October 2023: More funding announced

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On 10 October 2023, the government announced that £230 million in funding will be made available via the Public Sector Decarbonisation Scheme (PSDS) to support low-carbon energy upgrades to public sector buildings. The PSDS enables public sector bodies to fund heat decarbonisation and energy efficiency measures with the aim of reducing emissions from public sector buildings by 75% by 2037.

The Public Sector Decarbonisation Scheme

The PSDS stands as a cornerstone of the UK government's efforts to achieve its target of net-zero carbon emissions by 2050. It seeks to lower energy use, reduce energy bills and cut carbon emissions in public buildings including schools and hospitals. This scheme is part of a broader strategy that aims to tackle climate change and promote sustainability while simultaneously reducing operational costs. Delivered by Salix, this investment is poised to transform the country's public infrastructure into a more environmentally friendly and energy-efficient system.

More Funding Available

In 2020/21, Phase 1 of the PSDS provided £1 billion in grants to assist the UK's economic recovery from COVID-19 with the aim of supporting up to 30,000 jobs in the low carbon and energy efficiency sectors and to reduce carbon emissions from the public sector. In 2021/22, Phase 2 introduced £75 million of grant funding with a focus on heat decarbonisation in order to deliver greater carbon emission reductions.

Phase 3 is set to invest £1,425 billion over financial years 2022/23 and 2024/25. The newly Phase 3c allocated funds will allow more public sector organisations to participate in the scheme, expanding its reach and impact. This increased funding demonstrates the government's recognition of the urgent need to accelerate efforts to reduce carbon emissions and enhance energy efficiency in the public sector.

Key Features of the Scheme

- Funding Allocations:** The scheme allocates funds to various public sector organisations including schools, hospitals, local authorities and government buildings to carry out energy-efficient projects. These funds are designed to cover the upfront costs of such initiatives.
- Energy Efficiency Improvements:** The primary goal of the scheme is to reduce energy consumption and carbon emissions. Public sector organisations can use the funding to implement a range of energy-efficient upgrades, such as insulation, heating system improvements, and renewable energy installations.
- Financial Benefits:** By implementing these changes, public sector organisations not only reduce their environmental impact but also cut their operational costs.
- Reducing Carbon Emissions:** As public buildings and infrastructure are responsible for a substantial portion of the UK's carbon emissions; the scheme plays a pivotal role in achieving the country's climate goals.

The additional funding should allow for wider participation across public sector organisations.

How we can help

We have supported our clients with the underlying contractual documents associated with their decarbonisation projects funded through the PSDS, such projects including the delivery of heating and cooling systems to the construction of over 15,000 energy generating solar panels. If you require legal advice in connection with a decarbonisation project, please contact Zoe Stollard (Partner and Energy & Infrastructure sub-sector lead) who is well placed to assist.

Key contact



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