

Labour Party National Policy Forum Consultation ‘*Prosperity For All*’

Response by the UK Business Council for Sustainable Energy

1 Introduction

- 1.1 The UK Business Council for Sustainable Energy (UKBCSE) brings together Innogy, BP, Shell UK, Powergen, National Grid Transco plc, United Utilities and Scottish Power. These major businesses all have an interest in renewables, energy efficiency and CHP and have created the Council in order to develop an effective dialogue with Government that can further strengthen the UK's strategic agenda for sustainable energy.
- 1.2 The UKBCSE is working to build a broad consensus on the issues that influence the development of sustainable energy in the UK. The Council therefore welcomes the publication of the National Policy Forum's consultation document particularly at this crucial time for energy policy in the UK with the Government's energy review process well underway. The National Policy Forum is well placed to use the results of its consultation to inform this process.
- 1.3 This submission outlines the main issues that the UKBCSE believes are key to the development of sustainable energy in the UK. The Council also believes it is necessary to take into account the international dimension of energy policy. In particular the Council has noted with interest the Prime Minister's recent statements¹ that:

For carbon emissions:

“We need a 60% reduction”

On UK targets:

“We will meet, indeed exceed our Kyoto targets; and we must go further.”

- 1.4 The UKBCSE believes that to achieve not only the UK's existing goals for sustainable energy, but also to go beyond, will need a clear, firm and consistently delivered policy framework.

¹ The Rt. Hon Tony Blair on the World Summit on Sustainable Development. 01 September 2002

2 General Principles

- 2.1 *Strategic approach.* The UKBCSE believes that there must be a more strategic approach to sustainable energy policy across Government and its agencies. This needs to deliver policies that are ‘joined up’ and mutually reinforcing. Proposed Guidance to OFGEM in particular, and that which already exists for the Environment Agency, should be reviewed to ensure both bodies take decisions consistent with the drive to develop sustainable energy.
- 2.2 *A consistent framework* for sustainable energy must also reflect the international elements of the UK’s energy activities in relation to climate change.
- 2.3 *Carbon valuation.* The UKBCSE favours some form of carbon valuation that can enable the carbon impact of fuels to be reflected in the market. In addition there needs to be better co-ordination between the various mechanisms that exist to promote the development of sustainable energy so that carbon reduction is delivered in the most cost-effective way. The UKBCSE is keen to explore how the existing mechanisms could be brought under a single overarching **zero** carbon instrument to facilitate the transition to full greenhouse gas emissions trading.
- 2.4 *The social dimension and security of supply.* The development of sustainable energy technologies must go in tandem with protection of security of supply and tackling fuel poverty. Developing sustainable energy will bring security benefits but it is important that the UK retains adequate flexible plant to enable generators to respond to demand fluctuations in a cost-effective way. There is a very real need to bring together the various resources at present used to tackle fuel poverty in a more focused way and to utilise these to reinforce the wider use of sustainable energy practices and technologies.
- 2.5 *Transport.* Mechanisms are also required to ensure that other sectors of the economy, notably transport, play their proportionate part in delivering carbon reductions.
- 2.6 *International issues.* A comprehensive cross-departmental review of the Government’s international activities relating to energy should be implemented in order to ensure consistency with the Government’s domestic targets. This would also assist in moving forward on the Government’s response to the G8 Renewable Energy Taskforce recommendations
- 2.7 *Do not delay.* It is important that Government does not wait until 2010 before future policies and targets are decided, as this could lead to instability and uncertainty in the market.

3 Response to Specific Questions

How effective is our model of regulation, and is it the best model for the future?

How should we best balance the benefits of competition with universal provision of essential services?

- 3.1 Whilst the current regulatory structure for the electricity market in particular may be delivering when looked at from the perspective of competition and low prices. However it is clear that the New Electricity Trading Arrangements (NETA) in particular have had a significant and deleterious impact on the development of CHP and renewables.
- 3.2 This is due to a failure of the government to reflect in the legislation that created OFGEM the priority it gives to the environment. The result is long delayed and weak statutory guidance to the regulator (OFGEM) about the importance of the environment in exercising its duties. This failure should be addressed by amending the legislation that underpins OFGEMs statutory powers to make sure that the environment is no longer an afterthought.

What further steps can the government take to promote a low carbon economy in Britain?

- 3.3 The UKBCSE supports both the need to develop sustainable energy technologies, and the current mechanisms in place to support their development – specifically the Renewables Obligation (RO) and the Energy Efficiency Commitment (EEC). In addition, and in the absence of any other supporting mechanism, the UKBCSE believes that some form of CHP (Combined Heat and Power) Commitment, as provided for by the Utilities Act, should be introduced as soon as is possible to reverse the current serious downturn in the industry and ensure that the benefits of CHP are not lost.
- 3.4 Looking forward and beyond the current targets for sustainable energy and carbon reduction the UKBCSE believes that the various mechanisms (RO, EEC, CHP Obligation) need to be better co-ordinated and brought closer together. This should build on the analysis the Government has done of the most cost-effective way of meeting carbon reduction targets. This analysis can then be used to identify appropriate targets and support mechanisms for the relevant technologies (renewables, energy efficiency, CHP etc). The UKBCSE believes that the merits of introducing a single overarching **zero** carbon energy instrument should be considered as part of this process. Such an instrument will allow for flexibility in how future targets are met and help to deliver them cost-effectively.

What should the government do to encourage the development and adoption of green technologies? What incentives can we introduce to stimulate investment in new and renewable technologies?

- 3.5 As outlined above the UKBCSE believes that moving towards a **zero** carbon instrument is the best way to incentivise green technologies. However to fully realise the potential that exists for green technologies, particularly renewable energy, other barriers must be addressed specifically issues to do with planning and the network.

- 3.6 The planning process must become more streamlined to avoid the lengthy delays that have been experienced by many renewable energy projects. The current revision of PPG22 in England is key to this and the UKBCSE believes that the revised guidance should be issued in early 2003 taking a more positive stance on the use of sustainable energy technologies and including a general presumption in favour of sustainable energy developments. Similar guidance should be introduced in Wales and both should be consistent with the guidance that operates in Scotland (NPPG6) which has created a presumption in favour of the development of renewables.

Network Issues

- 3.7 Increased amounts of renewables, CHP and other sustainable energy technologies will have major implications for the operation of the transmission and distribution networks – as highlighted in Callum McCarthy’s speech to the OFGEM and Institution of Electrical Engineers conference on ‘Renewables and Electricity Distribution Networks’².
- 3.8 These issues, in particular those to do with distributed generation versus network investment and shallow charging must be investigated and solved as soon as possible and in an integrated way.

4 Conclusion

- 4.1 This submission outlines the points that the UKBCSE believes are crucial to the further development of sustainable energy in the UK and hopes that the comments are a useful input to the National Policy Forum debate.

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The views expressed in this paper cannot be taken to represent the views of all parts of all the companies in the UK BCSE. However, they do reflect a general consensus.

² 10 September 2002. See <http://www.ofgem.gov.uk/public/pub2002.htm> for the full speech