

UK BUSINESS COUNCIL FOR SUSTAINABLE ENERGY CONFERENCE

Patricia Hewitt MP, Secretary of State for Trade and Industry

I am delighted to be here at the first national conference of the UK Business Council for Sustainable Energy.

I congratulate in particular David Green for bringing together such an excellent group of people.

It is in both of our interests – government and business - to create a vibrant, dynamic market in sustainable energy. The public wants a low carbon economy.

We in government recognise that the way to do it is to shape a market that incentivises you to deliver what we all want and the UK Business Council for Sustainable Energy is well placed to advise us as to how this should be done.

Background to Energy White Paper

The timing is also very good. Three months after the bold vision we set out in the Energy White Paper.

But let me say first that we published the White Paper because there is no doubt in my mind that we need to act. And to act now.

CO2 levels, which have already risen by more than a third since the Industrial Revolution, are now rising faster than ever before as a result of human activity.

Just one small indication of the effect is that the Thames Barrier, used only once every two years in the 1980s, is now needed around half a dozen times a year.

The scientific evidence is quite clear that the consequences of climate change could be devastating - not only in Britain where floods and storms could cause billions of pounds worth of damage, but even more so in developing countries where millions of people could be exposed to disease, hunger and flooding.

This Government is not prepared to stand back and let that happen. We need to take a lead and work with other countries to tackle increasing emissions.

Vision of White Paper

That is why – for the first time - we have put climate change at the heart of our energy policy. We have accepted the recommendation of the Royal Commission on Environmental Pollution that the UK should put itself on a path towards a reduction in carbon dioxide emissions of some 60% from current levels by about 2050, with real progress by 2020.

And we have included this target as one of the overriding goals of our energy policy – alongside

- Maintaining the reliability of energy supplies
- Promoting competitive markets
- Ensuring every home is adequately heated

By adopting a target for 2050 publicly we make it easier for other developed countries to do the same. Because we need all countries to act in order to make a difference.

So our aim is to move to a low carbon economy. There are various ways in which this can be done.

We could do it by building a whole new fleet of nuclear power stations. But our deliberate policy choice is to strengthen the contribution from energy efficiency and renewable energy sources. For that reason the White Paper does not contain any proposals for building new nuclear power stations.

We believe that achieving a big reduction in carbon dioxide emissions is possible, although there are risks. We will not prescribe the precise routemap, rather we want to create the market that delivers the result we want.

We need to deliver cuts of between 15-25 million tonnes of carbon by 2020 to be on track for our 2050 target.

Our analysis suggests we might expect between 8 and 12 million tonnes of carbon to come from energy efficiency improvements – half from households and half from the public and private sectors combined.

More renewable energy could deliver between 3 and 5 million tonnes of carbon savings. The implementation of the EU trading scheme could deliver an additional 2 to 4 million tonnes – the same level of savings that is expected from cuts in road transport emissions.

They are consistent with our aspiration to double the share of electricity generation from renewable energy to 20% by 2020. But this on its own will not be enough for us to meet our carbon targets. In fact the potential gains from energy efficiency are over twice as great as those from renewables, important though those are.

It is not for me to tell you what technologies to invest in, but if you take away one message today it should be that we are serious about changing the nature of our economy. I believe we can be a world-leader in the low-energy and green technologies that are required: so I say to you that you should invest with confidence.

Progress since white paper

Already we are moving in the right direction.

Take-up of wind energy for example is increasing. In March alone around the same number of consents were given as in the whole of the 1990s. Over the past year,

government consents have been given to more than 1 GW of generation capacity for both onshore and offshore wind power, double the capacity currently in operation. And a further 2 GW is on the way.

But we need to accelerate our actions. So let me now be more specific about what we are doing to implement the White Paper.

Emissions trading

We have already agreed at a political level in the Council of Ministers an EU-wide scheme. This scheme is central to our new energy policy, and thus to carbon emissions reductions. Now we need an early agreement with the European Parliament, so that the scheme can begin on schedule in 2005.

There are some important changes under the proposed regime. It will further change the incentives on electricity generators and suppliers to give a direct incentive to generators to reduce their emissions.

We are working closely with the business-led UK Emissions Trading Group to ensure we get the details of this scheme right. We need to make sure that the implications of the ETS are understood at senior level in those companies that will be most affected. So I can today announce that I will be holding an emission's summit on the 24th June, chaired jointly by Margaret Beckett and myself, which will bring together the Chief Executives of the electricity generators and others to discuss this important issue.

I am grateful for the role the Council has taken in facilitating this event.

There are other key milestones too. In the autumn we will publish our proposals for consultation on how in the UK we intend to allocate Emissions allowances under the scheme. We will then submit a final allocation plan to the European Commission by March 2004.

Working with OFGEM

We are working closely with the regulator to ensure the successful implementation of the White Paper's objectives, in particular our commitment to a low carbon economy. I am pleased to announce that we will shortly publish new draft social and environmental guidance to OFGEM, to ensure that regulator and government are working together with the same aims. I know you will welcome this.

Energy Efficiency

We're bringing business and OFGEM together to work out how to create an effective market in energy services in the domestic sector.

I have been told by business leaders that the ability of consumers to switch suppliers after 28 days rule was an impediment to marketing energy efficient packages. So we are taking a close look at it. If you – companies that stand to benefit – need the changes to be made then we need you to make a case that gives you the necessary incentives, but still protects consumer rights.

If we can resolve this in a way which protects consumer's rights to get good value and service from their energy supplier, we can make real progress on improving the existing housing stock, in particular the 6-7million homes who currently have no cavity wall insulation.

We are also taking action on new housing stock. I am pleased to announce that on 21 October we will bring together the leading representatives in the building industry with myself, Margaret Beckett and John Prescott to discuss how we ensure that all buildings – whether new or refurbished - are built to incorporate the highest possible energy efficiency standards. A Better Buildings Summit.

And as you know the Chancellor confirmed in the budget that the Government will shortly undertake further detailed consultation on specific measures to encourage energy efficiency.

Energy policy networks

We've set up the institutional arrangements that are required to drive through change. We now have within government, a cross-departmental Sustainable Energy Policy Network reporting to a ministerial committee chaired jointly by myself and Margaret Beckett and supported by an advisory board.

We have identified 135 separate workstreams that flow from the white paper and the key milestones that will indicate progress. And, in order to focus minds, I will publish that action plan, and the named Whitehall official responsible for the delivery of each, on our website.

Working together in an open and transparent way, we will be more likely to identify any glitches in a positive fashion before they become critical.

Design and Demonstration Unit

One way to give ourselves the best chance of meeting our objectives is to draw on private sector skills. That's why I'm delighted to announce a new design and demonstration unit, staffed by industry secondees. National Grid Transco has offered a manager for the Unit and the project management skills of its Affordable Warmth team to deliver innovative pilot projects.

The new Unit will bring together existing funding streams to achieve sustainability objectives. Crucially it will focus intently on individual communities. In the case of a deprived community without access to mains gas, the team would establish what – in economic, social and environmental terms – was the most appropriate fuel needs for that community.

The team would develop new business models for connections. It could look to suppliers to contribute to costs. It could access energy efficiency programmes to insulate homes, and reduce connection costs through fuel switching payments. It could promote smart metering to let consumers monitor energy use and spend. It could access local authority expertise and sources of funding for improving housing stock. It could link with other utility infrastructure providers - for instance broadband installers - to reduce connection costs. Who knows, they may even be able to help us dig the roads up less!

The Unit allows us to determine and test what's right for each community. This is an innovative approach that offers energy, environment, social and economic wins.

Conclusion

The White Paper set a new direction for energy policy. It set out a clear framework for the short, medium and long-term. It has been widely welcomed, in particular for accepting the RCEP recommendation of moving to a 60% cut in carbon dioxide emissions.

I am grateful for the encouragement the Council has given the White Paper. I know that you have specific interests in a number of areas. And I know that in many of these areas there is common ground between us.

As I have already said today, we are already beginning to deliver on some of the 135 commitments in the Paper. But it's only the start. Putting the environment so strongly at the heart of our energy policy was a challenge in itself, but we rose to that challenge.

Now we need your pressure to keep us up to the mark – to ensure we keep moving forward and that we deliver on that vision of a low carbon economy.

ENDS