

Conservative Party Low Carbon Economy paper – initiatives and implications

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The Conservatives Low Carbon Economy paper published today has brought out 3 important elements of energy policy, relevant to the politics of the current energy debate. They are:

1. Energy Security
2. A policy beyond the EU Emissions Trading Scheme for coal
3. Kick starting Renewable Energy

Whilst the Tory proposals are not the final word and can be improved, they do put the weakness of the Government's position in focus.

1. Energy Security

For Whitehall it often appears that their greatest concern is energy security, traditionally tackled by diversification of type and sources of fuel (coal, gas, nuclear, oil, renewables). The approach that the Conservatives are taking doesn't ignore this, but emphasises approaches that are new to the mainstream political debate.

First – efficiency; the most secure fuel is that which you don't need. Energy efficiency in the domestic sector is one of the quickest way to reduce emissions and provide a green stimulus to the economy. A report for the Federation of Master Builders estimates that up to 75,000 jobs every year could be created by a sustained building upgrade programme. Previous government reviews have estimated that efficiency measures could reduce energy consumption in the building sector by about 30 per cent.

Several useful approaches are flagged up by the Conservatives:

- a) Combined Heat and Power (CHP) is to be incentivised by a *low carbon* heat tariff – not just renewable heat as in current Government plans. This means that highly efficient natural gas projects would also qualify for incentives. Although not stated explicitly, this appears to apply at all scales from small scale district heating through to industrial scale CHP. Relatively small additional revenue support is certainly the major barrier to the major industrial CHP plant being built, as identified in a recent Poyry report.

- b) A 'Top runner' approach which identifies the most efficient appliance on the market and requires ALL competing models to have improved upon that standard in about 5 years.
- c) The Conservative proposal for building efficiency where reductions in energy bills would fund the up-front capital cost for owners, which would then be paid back by the reduction in fuel bills. This would be implemented either by energy companies or local authorities. There is a welcome recognition that solid walled houses need additional finance – potentially the finance involved could be many billions of pounds. None of the proposals from Labour so far have hoped to liberate this level of capital.

The second approach is a renewable source of gas – biogas. The Tories use an unpublished National Grid estimate which suggests that around 50 per cent of domestic gas needs could be met from the anaerobic digestion of food and farm waste, but also from gasification of waste. They propose to deliver this by a feed-in-tariff for biogas and by enabling access to the gas network for biogas. These are potentially valuable approaches. The Government approach on gas security is not developed as an explicit strategy, although at a headline level it relies on nuclear and is a driving force behind new coal.

2. Beyond relying on the Emissions Trading Scheme to Rule out unabated coal – a UK Emissions Performance Standard

The Conservative proposal to introduce an emissions performance standard in order to ensure unabated, conventional coal plants cannot operate in the UK should spell the end of the existing plans for EON's application to build a new coal plant at Kingsnorth in Kent.

The Conservatives' endorsement of an emissions performance standard is welcome addition to the ranks of those calling for its introduction – including all the major environmental groups, the EU member states of the Netherlands and Denmark, as well as the Liberal Democrats. It is significant in the context of the recommendations from Lord Turner that *additional* measures on top of the EU Emissions Trading Scheme are proposed by the Conservatives in order to guard against the threat of leaving the UK 'locked in' to carbon intensive infrastructure that would jeopardise our chances of meeting the Government's greenhouse gas reduction target of 80 per cent by 2050. One of the key measures suggested by Lord Turner for consideration is an emissions performance standard.

So the Conservatives have recognised, like Turner, that we need more than the ETS. The specific standard of 500g/kwh proposed by the Conservatives is, however, worryingly generous. Taking Kingsnorth as an example, applying a standard of 500g/kwh would mean that emissions from only 600MW of the overall 1600 MW capacity – barely a third of Kingsnorth emissions - would be

abated, leaving open the possibility of a new plant at Kingsnorth emitting over 4 million tonnes of CO2 every year for duration of its 50 year life span.

There is a notable absence of any intention to progressively strengthen the standard, as abatement technologies mature. This therefore removes any incentive to scale up the CCS abatement potential of a plant like Kingsnorth beyond the 600MW abatement it would need to comply with the standard.

There is also no intention to limit the number of coal applications brought forward by utilities beyond the 5000MW earmarked for Government support under a Tory Government. Combined with the lack of reference to strengthening the EPS as abate technologies mature, this could lead to a limitless number of new coal plants across the UK capturing only 30 per cent of their emissions. This would dangerously undermine the UK's chances of meeting our long term emission reduction targets and set a woeful example to the rest of the world, damaging our claim to be a world leader on climate change.

A effective standard would be set at the level of the absolute most efficient gas fired generator available, at 350g/kwh, on the understanding that the standard would be strengthened according to the best available abatement potential in 2020 at the latest. By 2025, a standard of around 100g/kwh should be rigorously enforced across the board.

See: <http://www.greenpeace.org.uk/files/pdfs/climate/joint-ngo-statement-coal-ccs.pdf>

3. Kickstarting green energy

The renewable energy industry outline several critical areas that need addressing before green energy sources start to boom in Britain. These include:

- Grid access and grid upgrade to support new renewable capacity onshore and offshore;
- An industrial supply chain to provide, install and support the technology needed;
- A new approach to planning for onshore wind especially that is strategic and positive, delivering more approvals, more quickly and decisively without disenfranchising local people;
- An improved support mechanism that gives long term confidence in returns banded wide enough to ensure that all technologies get the right level of support to make them economic.

The Conservative's Green Paper says:

- Marine parks will fast track approvals and guarantee grid connections for offshore renewables.

- Smart grids will help with balancing a system incorporating more renewables and increase their usage while efficiency and energy saving (such as through the top runner initiative on appliances) will maximize the benefits of renewables.
- Reform of the RO to improve support for marine renewables

These are useful initiatives but it leaves open key further blockages, in particular:

1. Onshore wind planning
2. Government support to ensure that a supply chain is delivered to meet these demanding levels of renewables build.