

Government Energy Bill: Greenpeace Briefing

On Tuesday 22 May the government will publish their draft Energy Bill setting out how they seek to reform the electricity market.

This Bill is supposed to respond to three main challenges:

- Bringing down energy bills;
- Bringing down carbon emissions from power generation;
- Securing UK power supplies.

John Sauven, executive director of Greenpeace UK, said:

“This is a looming energy omnishambles.

“The Energy Bill could be a huge opportunity to get energy bills and carbon emissions under control, and to bring security to our power supplies.

“But Ministers seem hell-bent on scuppering all of these aims by encouraging a big increase in our dependence on burning expensive gas to generate electricity. This would increase the burden on families and businesses, and see money from bills going to countries like Qatar and Norway instead of back into the British economy.

“It’s obvious that plans for new nuclear power stations have crumbled. The government now has to drop its misguided affair with this hugely expensive pipe dream. Energy Secretary Ed Davey should ramp up the efficiency of our energy system and invest in home-grown renewable energy to boost the economy and reduce consumers’ exposure to rocketing gas prices.”

Dangers of gas dependence

Research from Bloomberg suggests the UK is on course for gas to fuel 70% of our generating capacity by 2020, exposing us to the risk of major price spikes from exposure to gas imports. Both Ofgem and the IEA project that already high gas prices are likely to rise in coming years.

Analysis for Ofgem and the Committee on Climate Change (CCC) has highlighted that increases in gas prices are the overwhelming reason for rises in household energy bills. Deutsche Bank and Pöyry recently warned that shale gas is very unlikely to reduce bills over the medium term.

Lord Turner and the CCC recently warned that a new ‘dash for gas’ “carries the risk that there will be too much gas-fired generation instead of low carbon investment”. The CCC have advised that the UK power sector must be almost carbon-free by 2030 if the UK is to make the carbon emission reductions set out in law under the Climate Change Act. A new ‘dash for gas’ risks making it impossible to hit these carbon targets.

Nuclear plans de-railed

The Government’s plans for a new generation of nuclear power stations are falling apart. Scottish and Southern Energy announced last year that it was pulling out of the NuGeneration joint venture to build a new plant at a site near Sellafield. In March, RWE and E.ON pulled out of their joint nuclear venture, Horizon. While recent reports have highlighted that Centrica is [unlikely to proceed](#) with its joint venture with EDF to build new reactors at Hinkley Point. Following the election of François Hollande to the French Presidency, even EDF’s role in new nuclear in the UK is [now in question](#).

EDF recently conceded that the cost of developing new nuclear reactors [has risen by 40%](#), to at least £7 billion each. Analysts at Citibank believe that new nuclear in the UK will only be possible through taxpayer subsidy, something which all main political parties have manifesto commitments to avoid. Citi [conclude that](#) “an already very challenging programme may be reaching the point of impossibility.”

To avoid an energy omnishambles, the Bill must contain:

1. A commitment to a carbon-free electricity sector by 2030, which is in line with the government’s own advice from the Committee on Climate Change;
2. Standards for all new fossil fuel power stations which will limit their emissions;
3. Strong support for energy demand reduction. Similar measures in the US have reduced demand and prices, and are the best means of reducing bills and emissions in the short term;
4. Support for renewable energy, to provide investors with long-term certainty. The support mechanism needs predictability, government backing, and simplicity, whilst promoting diversity of ownership and scale. Smaller-scale community energy is particularly ill-equipped to deal with the complexity of current and proposed trading arrangements. Additionally, UK government support for a Europe-wide 2030 renewable energy target backed by binding national targets would send a strong signal to investors that Britain looks forward to our clean technology sector continuing to grow beyond 2020;
5. An obligation for National Grid to hit carbon and renewable energy targets, which should be included in their Delivery Plan. The Committee on Climate Change should be made statutory advisers on these draft plans;
6. Full transparency on government dealings with energy companies. To maintain public trust all support must come with full transparency, not only on prices but also in relation to the terms and conditions of these contracts. This transparency should also apply to initial ‘comfort’ offered to industry before the full EMR is implemented, and to the preparation of the Delivery Plan by National Grid.

Greenpeace press office: 020 7865 8255