



Association for the Conservation of Energy



GREENPEACE

# The Energy Bill

## Report Stage Briefing

May/June 2013

### Summary

Energy Minister Michael Fallon set out in a speech in May that purpose of the Energy Bill is to attract over £100 billion in investment by 2020 to “1) deliver a secure power supply 2) meet Britain’s legally binding carbon budgets and 3) to achieve 1 and 2 at the lowest cost to consumers”.<sup>i</sup>

We agree with these aims, but at present the Bill is not on track to deliver them. There is significant evidence that the lack a decarbonisation target for the power sector is exacerbating political risk, which is deterring major investors, manufacturers and project developers from investing in UK energy infrastructure, creating jobs in the process – at exactly the time when they are needed most.

Consumers and the wider economy would be better off with a clear commitment to a largely carbon free power sector, and the policies to achieve it. A new report from the Committee on Climate Change (CCC) evidenced savings of **£25 to £45 billion** by decarbonising power, compared to relying on gas. This rises to £100 billion savings if future gas prices are high.<sup>ii</sup> Decarbonising power by 2030 is recommended by the CCC as the most cost-effective way to meet Britain’s carbon budgets, which is needed for Britain to play its part in averting dangerous climate change.<sup>iii</sup>

Yet as it stands the Bill has neither a target to decarbonise power, nor the policies to deliver it. Instead it is in danger of locking in an over-reliance on fossil fuels that is damaging for household bills, the economy and the climate.

#### Key issues include:

- The Bill allows (but does not require) a target to be set, but not until 2016 or later - extending the current uncertainty for investors.
- The proposed capacity market could support up to 40 new gas power stations at the consumer’s expense – which the CCC have said is incompatible with meeting carbon budgets.
- The Emissions Performance Standard is grandfathered at its current level until 2045 – essentially locking in gas power built over the coming years, and risks letting coal in by the back door.
- The Bill lacks a commitment to measures to reduce energy demand – the cheapest and most environmental way to meet our energy needs.
- The Bill is set to give nuclear a large subsidy in violation of the Coalition Agreement, at the expense of consumers and cheaper low-carbon technologies.

**Key changes are needed** to the Bill at its Report Stage if it is to deliver on its objectives.

Please speak in favour of and vote for amendments to:

- ◆ Require a **decarbonisation target** and plan to achieve it to be set in this Parliament, in line with Committee on Climate Change advice (Amnds 11-20)
- ◆ Support payments for **reducing energy demand** which are cheaper than generating more energy (Amnds 34-41)
- ◆ Stick to the Coalition agreement to **not subsidise nuclear power**, and to ensure decisions are not made behind closed doors.
- ◆ Limit the use of unabated coal and promote CCS, in line with decarbonising power by 2030.(Amnds 148-150)
- ◆ Ensure power generated from **biomass is done so sustainably**, through using wastes and residues, and not whole trees. (Amnds 32-33)
- ◆ Ensure **community and independent generators** can access the market by raising the cap on the feed-in tariff and introducing a green power market. (Amnds 1, 43-46, 47)

## Key amendments to the Bill

### 1. Set a clear framework for decarbonising power

A growing coalition of investors and companies have said a decarbonisation target is needed now to provide the certainty necessary for investment in renewable energy infrastructure projects (see a full list at the end of this briefing.)

Government committing to setting a clear target by 2014 would:

- Give businesses the certainty they need to invest in clean energy now, rather than delaying at least four years.<sup>iv</sup>
- Resolve the looming cliff edge in support faced by renewable generators after 2020 – there is no clarity for the sector beyond this stage. Doing so could secure 29,000 additional jobs in the sector.<sup>v</sup>
- Protect bill payers from an over-dependence on costly and polluting gas power, which threatens to push up household bills by £600 more than if electricity is largely decarbonised.<sup>vi</sup>
- Help create a competitive British supply chain and contribute to driving down the cost of offshore wind by up £40 per megawatt hour.<sup>vii</sup>

A cross-party group of MPs, led by Tim Yeo MP, Chair of the Energy and Climate Select Committee, Barry Gardiner, Julian Huppert, Mike Weir and Caroline Lucas, have put forward a set of amendments (numbers 11-20) to ensure a target is set by 2014, in line with the advice of the Committee on Climate Change, rather than delaying the decision until at least 2016.

The amendments would ensure that:

- A target is set by April 2014, so policy delivery can take it into account
- It is set in line with advice from the Committee on Climate Change
- Consumer energy bills, economic competitiveness, security of supply, and climate science are all considered when setting the target
- Sufficient flexibility is retained, to ensure cost-effectiveness. The target can be adjusted if future changes mean there is a more cost-effective route for the power sector, within meeting carbon budgets
- A delivery plan is published setting out proposals to achieve the target.

Frequently asked questions about the proposals can be found [here](#)<sup>viii</sup>

“The vast majority [of companies] do appear to support a decarbonisation target in the Bill.”

**Ed Davey, Secretary of State, DECC**

A decarbonisation target, set now, is supported by almost 300 MPs, as well as the Energy and Climate Change Select Committee, the Labour Party, SNP, Plaid Cymru, the SDLP and the Green Party, and is official Liberal Democrat Party Policy.

Please speak in favour of and vote for the decarbonisation amendments: 11-20.

### 2. Give energy saving adequate and immediate support

In February, the Prime Minister set out his ambition to “make Britain the most energy efficient country in Europe”. Saving energy is the quickest and cheapest way to protect households from rising bills, cut carbon emissions and improve energy security by avoiding building expensive new power stations. Government’s own analysis shows that the UK could reduce its demand for electricity by 36% by 2030, but that current policies will reduce demand by only 13%.<sup>ix</sup>

The Bill has been heavily criticised by the ECC Committee and MPs from all parties for failing to include measures to reduce demand. Committee Stage saw cross-party support for an amendment requiring the Government to introduce a demand reduction incentive within a year of the Act being passed.<sup>x</sup>

The Government has now tabled New Clause 12, which allows it to run a pilot capacity auction for reducing electricity demand. This is a step in the right direction, but major concerns remain. Experience of comparable auctions in the US saw energy efficiency projects receiving no more than 3% of total capacity payments, with 70% going to existing fossil fuel generation. The Government itself admits that capacity markets are unsuitable for delivering energy savings for households or small businesses. Relying on the capacity market alone will not deliver the Prime Minister’s ambition or achieve the huge potential for saving electricity.

We need an additional policy to enable small businesses and households to be rewarded for saving energy, not just large infrastructure projects. A cross-party group of MPs led by Alan Whitehead and Zac Goldsmith have tabled amendments 34-41, which introduce simple, transparent payments for households and

businesses that save energy. These payments could start immediately without waiting for a capacity crunch to trigger an auction.<sup>xi</sup> The scheme would provide additional savings on top of any that may flow from a capacity auction, putting us on a better course to fulfil the Prime Minister's ambition.

We do not see the need for a pilot scheme to delay the introduction of such payments. However, if the Government is determined to run a pilot before taking further action, they should certainly pilot demand reduction payments alongside the proposed capacity auction pilot.

For more information please contact Jenny Holland, [Jenny@ukace.org](mailto:Jenny@ukace.org)

### **3. Stick to the Coalition agreement to not subsidise nuclear power**

The Bill risks giving nuclear a large subsidy in violation of the Coalition Agreement, and doing so behind closed doors. We remain very concerned at the huge amount of money that could be used to subsidise nuclear, which is now a mature technology but is simply not getting any cheaper.<sup>xii</sup> Please raise concerns about this and back amendments to both open the process to greater scrutiny and adhere to the Coalition Agreement not to subsidise nuclear power.

#### **Greater transparency**

New Clause 5 proposes an expert panel scrutinise and give advice on whether investment contracts and contracts for difference give value for money for consumers. Amendments 26 and 27, similarly, require the National Audit Office to make a report on value for money of investment contracts and Contracts for Difference one month before they are laid before Parliament.

#### **No subsidy**

Amendment 23 removes nuclear power from the list of technologies the Government propose subsidising through contracts for difference, and amendment 22 removes nuclear from the list of technologies that can be given payments through the capacity mechanism. Amendment 24 states that nuclear power cannot be given higher support than renewable energy under contracts for difference.

More information can be found in our short briefing on nuclear [here](#)<sup>xiii</sup>

### **4. Limit the use of unabated coal and gas**

The Emissions Performance Standard for power stations must limit emissions from coal and gas plants to a level compatible with decarbonising power by 2030,

and send clear signals for the future to support the development of Carbon Capture and Storage technology (CCS).

Please support amendments 148-150 to close a loophole that means refurbished coal plants would not be covered, and to grandfather the current, high level of the emissions standard to 2029, rather than the current date of 2044. Reliance on unabated gas power must also be reduced over time.

For more information please contact Doug Parr [doug.parr@greenpeace.org](mailto:doug.parr@greenpeace.org)

### **5. Ensure only sustainable biomass is supported**

Bio-energy could be an important source of low carbon energy, but the Energy Bill needs to clearly establish what forms of bio-energy are eligible for public support, and what is not. As currently drafted, the Bill does not distinguish between high and low carbon biomass, and will therefore continue to allow public support for high carbon, unsustainable electricity generation from biomass, such as burning of imported wood pellets made from whole trees.

Members should support measures to ensure that only sustainable biomass qualifies as clean energy. Nick Harvey has tabled amendments (32 & 33) to limit biomass supported under contracts for difference to projects under 15MW, unless they are combined heat and power (CHP) or CCS plant. This would ensure that long-term support for biomass is restricted to those facilities able to adopt efficient CHP technology or are part of a CCS scheme. Large scale unabated power generation from biomass would not be eligible for public support. These amendments help ensure that the UK biomass industry is efficient and grows to a scale that is commensurate with the size of the available sustainable resource.

More information can be found in our briefing on biomass [here](#)<sup>xiv</sup>

### **6. Ensure market access for independent and community generators**

It is important to increase competition in the energy market, but the proposed Contracts for Difference risk locking out small, independent and community energy generators. They are calling on Government to introduce a 'green power auction market' for independent renewable generators and raise the cap on small-scale feed-in tariff to 20MW to cater for community schemes, increasing competition and directly benefitting communities. Please support amendments 1 and 47 on these measures.

For further information please see [this joint statement](#) on community energy.<sup>xv</sup>

## Over 200 companies, trade associations and civil society groups support a 2030 decarbonisation target

*“Government’s perceived commitment to the low carbon transition is being undermined by recent statements calling for unabated gas in the power sector beyond 2030 and the absence of a specific carbon intensity target.”* **Joint letter of over 50 Aldersgate Group companies 8 October 2012**

*“We are aware of UK-based supply chain partners with investment plans on hold, or at risk, until greater confidence is achieved. A firm commitment now to decarbonisation of the power sector would decisively address these concerns.”* **Joint letter from Alstom UK, AREVA UK, Doosan Power Systems UK Ltd, Mitsubishi Power Systems Europe Ltd, Gamesa Wind UK Ltd, Vestas Technology UK, 7 March 2012**

*“A clear statement of ambition and vision for the UK’s energy system, in the form of a target, will help drive investment in low-carbon technologies”* **EEF, the Manufactures Association, October 2012**

*“A decarbonisation target will help create a clear and stable framework for the long-term investment decisions which are necessary for sustainable economic growth.”* **UK Sustainable Investment and Finance Association February 2013**

**Including...** RenewableUK Environmental Manchester Chamber of Commerce Industries Commission Cooperatives UK Chartered Institute of Architectural Technologists FSB (Federation of Small Businesses) Institute of Civil Engineers (ICE) EEF - the manufacturer's organisation IET (Institution of Engineering and Technology) ACCA Renewable Energy Association Solar Trade Association Institution of Mechanical Engineers UK Green Building Council Nuclear Industry Association UK Chamber of Shipping Carbon Capture and Storage Association Scottish Renewables CIWEM Institute of Environmental Management & Assessment EDF Energy Mitsubishi Power Systems Europe Ltd Gamesa Alstom UK DONG Vestas Technology UK Harland and Wolff Western Power Distribution Ecotricity Doosan Power Systems Veolia EDP Renewables EcoConnect RES Infinergy AREVA UK Sea Energy Sheffield Renewables Repower Mainstream Renewable Power Southern Solar Good Energy Regen South West) Unilever Sky ASDA Heathrow Airport ADBA (Anaerobic Digestion & Biogas Association Eurostar Microsoft Siemens Pepsico Philips Electronics UK Modus Seabed Seajacks Vestas Repsol WSP MITIE Marks & Spencer Yorkshire Water Bam Nuttall Anglian Water Kingfisher Alliance Boots Reed Elsevier Willmott Dixon CISCO Interface Knight Frank Landmark Information Group The Cooperative MEMSET Scottish and Southern Energy Ceram Johnson Matthey PI Cussions Grant Thornton Atkins SKM Enviros BioRegional Adnams Southwold Eftec Biffa The UK Sustainable Investment and Finance Association (UKSIF) L&Q Triodos Bank Aviva Church of England RSA Quakers Operation Noah Methodist Relief & Development Fund Islamic Relief Christian Ecology Link Muslim Agency for Development & Enterprise Baptist Union of Great Britain The Methodist Church The United Reformed Church Columban Missionaries Britain National Farmers Union Unison TUC CWU (Communication Workers' Union) Association for the Conservation of Energy (ACE) Friends of the Earth Greenpeace UK RSPB WWF UK Stop Climate Chaos UK Youth Climate Coalition Forum for the Future 10:10 IPPR The Woman's Institute National Energy Action Sustain Oxfam New Environmentalist Progressio Sustrans Institute for European Environmental Policy Knowledge Transfer Network Woodland Trust University of Exeter Energy Policy Group E3G People & Planet Practical Action Healthy Planet RTCC Women's Environmental Network British Humanist Association Society for the Environment Concern Universal Simpol Low Carbon CAFOD Airportwatch Blue & Green Tomorrow Campaign against Climate Change Tearfund Energy Agency Centre for Economic and Environmental Development Scottish Seabird Centre National Union of Students Communities Network UNICEF

<sup>i</sup> <https://www.gov.uk/government/speeches/euaigem-gas-awards-speech-by-michael-fallon>

<sup>ii</sup> The Committee on Climate Change, [Next Steps on Electricity Market Reform](#), May 2013

<sup>iii</sup> The Committee on Climate Change [Meeting Carbon Budgets – 2012 progress report to Parliament](#), 2012

<sup>iv</sup> [Letter to the Times Newspaper](#), from Alstom, AREVA, Doosan, Mitsubishi, Gamesa, Vestas, March 2013

<sup>v</sup> Renewables UK, Working for a Green Britain, volume 2, July 2011

<sup>vi</sup> CCC, [Energy Bills and Prices – Impact of meeting Carbon Budgets](#), Dec 2012

<sup>vii</sup> David Kennedy -CCC Chief Executive, [Evidence to Energy Bill Committee](#), Jan 2013

<sup>viii</sup> [http://www.foe.co.uk/resource/briefings/decarb\\_faqs.pdf](http://www.foe.co.uk/resource/briefings/decarb_faqs.pdf)

<sup>ix</sup> DECC, Electricity Demand Reduction: Consultation, 2012

<sup>x</sup> Energy Public Bill Committee, 29 January 2013

<sup>xi</sup> House of Commons, [Notice of amendments given 14 March 2013](#)

<sup>xii</sup> Pöyry (2013) Technology Supply Curves for Low-Carbon Generation

<sup>xiii</sup> [http://www.foe.co.uk/resource/briefings/no\\_nuclear\\_subsidies.pdf](http://www.foe.co.uk/resource/briefings/no_nuclear_subsidies.pdf)

<sup>xiv</sup> [http://www.foe.co.uk/resource/briefings/energy\\_bill\\_biomass.pdf](http://www.foe.co.uk/resource/briefings/energy_bill_biomass.pdf)

<sup>xv</sup> [http://www.foe.co.uk/resource/briefings/energy\\_bill\\_201213\\_communi.pdf](http://www.foe.co.uk/resource/briefings/energy_bill_201213_communi.pdf)

### Contact

Donna Hume

Friends of the Earth

[donna.hume@foe.co.uk](mailto:donna.hume@foe.co.uk)

07975 831 655

Jenny Holland

ACE

[jenny@ukace.org](mailto:jenny@ukace.org)

020 7359 8000

Doug Parr

Greenpeace UK

[Doug.Parr@greenpeace](mailto:Doug.Parr@greenpeace.org)

[.org](http://www.greenpeace.org)

0207 865 8240

Rose Dickinson

RSPB

[Rose.Dickinson@rspb.or](mailto:Rose.Dickinson@rspb.org)

[g.uk](http://www.rspb.org.uk)

Nick Molho

WWF UK

[nmolho@wwf.org.uk](mailto:nmolho@wwf.org.uk)

07770 238 068