

House of Commons

Environmental Audit Committee

**A SUSTAINABLE ENERGY  
STRATEGY? RENEWABLES  
AND THE PIU REVIEW  
Government Response to the  
Committee's Fifth Report of  
Session 2001–02**

Second Special Report  
of Session 2002–03

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*Ordered by The House of Commons to be printed 26 February 2003*

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HC 471

Published on 10 March 2003 by authority of the House of Commons

*London* : The Stationery Office Limited

£4.50

## ENVIRONMENTAL AUDIT COMMITTEE

### Remit

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

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### Publications

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## SECOND SPECIAL REPORT

**The Environmental Audit Committee has agreed to the following Special Report:**

**A SUSTAINABLE ENERGY STRATEGY? RENEWABLES AND THE PIU REVIEW:  
GOVERNMENT RESPONSE TO THE COMMITTEE'S FIFTH REPORT OF SESSION  
2001–02**

1. The Environmental Audit Committee published its report on A Sustainable Energy Strategy? Renewables and the PIU Review on 22<sup>nd</sup> July 2002 as HC 582.
2. The Government's response to the Committee's Report was received on 24 February 2003 in the form of a memorandum to the Committee. It is reproduced as an Appendix to this Special Report.

## APPENDIX

### **GOVERNMENT RESPONSE TO THE MAIN RECOMMENDATIONS AND CONCLUSIONS OF THE ENVIRONMENTAL AUDIT COMMITTEE'S FIFTH REPORT: "A SUSTAINABLE ENERGY STRATEGY? RENEWABLES AND THE PIU REVIEW".**

The Government welcomes the fifth report of the House of Commons Environmental Audit Committee. This was a helpful contribution to the UK energy review consultation, the responses of which have led to the Energy White Paper. There are a number of aspects of the outcome of the White Paper, which are relevant to the Committee's Report; accordingly the Government's response is presented here.

The Committee's conclusions are reprinted below in bold, followed by the Government's response. References of the form "(25)" are to the Committee's Report. Those of the form "paragraph 7.13" or "chapter 8" are to the White Paper.

#### **RESPONSES TO MAIN RECOMMENDATIONS AND TARGETS**

**1. With the decommissioning of nuclear power stations and of older coal and gas plant, it has been estimated that some 60 per cent of current generation capacity will need to be replaced in the next 25 years. Current energy policy is therefore at a historical turning point. Decisions made now will influence developments over the next half-century (8).**

The Government agrees that a substantial proportion of current generation capacity will need to be replaced in the next 25 years, including the capacity of most of our existing nuclear power stations. More widely, the UK faces a number of new challenges. We need to address the threat of climate change. We must deal with the implications of reduced UK oil, gas and coal production, which will make us a net energy importer instead of an energy exporter. And over the next twenty years or so we will need to replace or update much of our energy infrastructure. The Government therefore accepts that we are at a historical turning point and that the UK needs a new energy policy to meet tomorrow's challenges. The new energy policy set out in the Energy White Paper, which is published today, is designed to provide a clear long-term framework in order to meet these new challenges.

**2. There is little doubt that the UK, along with other developed nations, is likely to face far greater emission reduction targets for greenhouse gases after the current commitment period under the Kyoto agreement expires in 2012 (9).**

The Government agrees that for developed countries, including the UK, major cuts in emissions, going well beyond those agreed at Kyoto, will be needed to tackle the threat of climate change. The Government's ambition is for the world's developed economies to cut emissions of greenhouse gases by 60% by around 2050. The Government has therefore accepted the ambitious Royal Commission on Environmental Pollution recommendation that the UK should put itself on a path towards a reduction in carbon dioxide emissions of some 60% from current levels by around 2050. (Chapter 2) This will now be a fundamental goal of our energy policy.

The UK has a Kyoto Protocol commitment to reduce greenhouse gas emissions by 12.5% by 2008-2012 and a national goal to reduce carbon dioxide emissions by 20% by 2010. Discussions under the Kyoto Protocol to tackle climate change beyond 2008-12 will start soon. On the basis of our current policies, through the full impact of the Climate Change Programme, our carbon

dioxide emissions might amount to some 135MtC in 2020. To be consistent with demonstrating leadership in the international process, the Government expects to aim for cuts in carbon of 15-25MtC beyond that by 2020. This would also put us on course to reduce our carbon dioxide emissions by some 60% by 2050.

**3. The UK's theoretical potential for generating renewable energy is well in excess of its entire electricity consumption (12).**

The Government shares the Committee's views that the UK is well placed to exploit renewable energy. For example, the UK has over one third of Europe's entire potential for offshore wind energy. As set out in the Government's recent "Future Offshore" consultation, the potential wind offshore generation resource within UK territorial waters in the three proposed strategic areas is over 1,500 TWh a year – almost four times the total electricity generated in the UK.

The policies set out in the Energy White Paper (Chapter 4) are designed to help the UK to exploit its renewables potential.

**4. The overall EU target set out in the 2001 Renewables Directive is far more demanding than the UK indicative target —22 per cent by 2010 as against 10 per cent for the UK—reflecting the fact that many other EU countries are considerably more advanced than the UK in terms of the percentage of renewable energy generated (18).**

The Government accepts that the current proportion of electricity generated from renewable sources at 1.5% (excluding large hydro and mixed waste incineration ) is well below the EU average of 14% electricity from renewable sources. But, given our very low renewables baseline, the Government considers that the target rate of growth to meet our indicative target of 10% in 2010 is one of the most challenging in Europe, requiring installation in the next seven years of seven times the capacity achieved in the last decade.

**5. Given the priority accorded to the promotion of renewables, we find it extraordinary that the DTI has not carried out a more recent and thorough analysis of economic and cost potentials. We recommend that it should do so as a matter of urgency, and subsequently update it on a regular basis (25).**

As part of the analysis for the Energy White Paper, the Department of Trade and Industry commissioned Future Energy Solutions (FES) to undertake further work, following that for the IAG and PIU reports to look at the implications and costs of substantial carbon dioxide reductions by 2050. This included a thorough analysis of the economic and cost potentials of a wide range of current and prospective renewables technologies relevant to the 2050 time horizon. This analysis was supplemented by the holding of a workshop at which representatives from the renewables industry were present. We were therefore able to take their views on renewables costs into account in the analysis.

As part of the review of the Renewables Obligation in 2005/06 (Chapter 4) we will look again at the costs and potential of renewables.

**6. The costs to the consumer of meeting renewables targets are relatively limited. Moreover, the cost of meeting a long-term 60 per cent carbon reduction target by 2050 is likely to be only 0.02 per cent of GDP per annum. This is equivalent to a reduction of 1 per cent in GDP over half a century—a very small price to pay for the environmental benefits it would bring**

(27).

The Government has set out measures in the Energy White Paper that will increase the deployment of renewables in order to achieve our carbon aims, whilst ensuring that the costs to the consumer are acceptable.

The Government has analysed carefully the likely impacts on the UK economy of cutting emissions by 60% by 2050. A good deal of caution is needed in looking at economic changes over such a long period and given the sensitivity to the assumptions made. But an extensive review by the Intergovernmental Panel on Climate Change suggests that action aimed at stabilising carbon dioxide atmospheric concentrations at 550ppm would lead to an average GDP loss for developed countries of around 1.5% in 2050. The outcome of our UK analysis is consistent with that review, assuming that the world's leading industrial nations act together. It suggests that the cost impact of effectively tackling climate change would be just a small fraction (0.5 2%) of the expected tripling in the nation's wealth, as measured by GDP, between now and 2050.

**7. While it is very difficult to forecast future price movements, there seems widespread agreement at present that UK energy prices are currently at an unsustainably low level. Increases in the costs of non-renewable generation appear likely, making renewable energy increasingly competitive (32).**

Current wholesale electricity prices are low, reflecting the level of excess generation capacity. More generally, in liberalised and competitive markets – which will continue to be the cornerstone of our new energy policy – it is very difficult to forecast future prices. The costs of non-renewable generation may increase due to the introduction of the EU emissions trading scheme in January 2005. The Government will make the new trading scheme a central plank of its future emissions reduction policies, through which the traded carbon market can set a signal for the value of carbon reductions in the economy.

The emissions trading scheme, along with long-term cost reductions of renewable technologies, will help renewables become increasingly competitive.

**8. We therefore see renewables, together with the need for radical improvements in energy efficiency, as being the primary tool to fulfil the UK's climate change commitments. The Government must provide commitment and leadership here, and should not allow itself to drift into a position in which nuclear appears to be the only alternative—as a result of a failure to maximise the potential which renewables have to offer (36).**

The Government shares the Committee's view that the preferable tools to achieve the UK's climate change commitments are radical improvements in energy efficiency and increasing the deployment of renewable energy. The Energy White Paper sets out an ambitious programme to maximise the contribution from these sources.

While nuclear power is currently an important source of carbon free electricity, the current economics make it an unattractive option for new, carbon-free generating capacity and there are also important issues for nuclear waste to be resolved. The Energy White Paper does not contain proposals for building new nuclear power stations. But the Government does not rule out the possibility that at some point in the future new nuclear build might be necessary if we are to meet our carbon aims. Before any decision to proceed with the building of new nuclear power stations, there would need to be the fullest public consultation and the publication of a white paper setting

out Government proposals.

**9. It is already certain that we shall miss the 2003 target— probably by as much as 2 per cent—as the Energy Minister confirmed in his evidence to us. On the present rate of progress we will achieve only just over 5 per cent against the 2010 target of 10 per cent (51).**

**10. Achieving the 10.4 per cent Renewable Obligation target by 2010 represents an even greater challenge. Eligible generation, which has only increased from 0.3 per cent to 1.5 per cent over the last 10 years, would need to increase from 1.5 per cent to 10.4 per cent in 8 years (52).**

The Government accepts that we shall miss the 2003 target of 5%. The Government also recognises that achieving the 2010 10% target will be very challenging.

The Government has recently put in place a range of measures to provide a much more favourable climate for the deployment of renewables in the UK. These include the Renewables Obligation, the exemption of renewable electricity from the Climate Change Levy, a substantial renewables support programme and a strategic framework to facilitate a major expansion of offshore wind. By 2010, we expect that the support from the Renewables Obligation and Climate Change Levy exemption will be worth around £1 billion a year to the UK renewables industry. The policies set out in the Energy White Paper (Chapter 4) are designed to help us to achieve the 2010 10% renewables target as well as to deliver our aspiration to double renewables' share of electricity generation by 2020 from our 2010 target. The Government will also increase funding for renewables capital grants by a further £60m within this spending review. This is additional to the extra funding announced in the 2002 Spending Review, which allocated an additional £38 million for energy policy objectives in 2005/06, compared with 2002/03.

**11. Obtaining planning permission remains a major obstacle to increased deployment of renewables. (58)**

The Government is preparing new planning guidance on renewables (PPS22) for England, and a consultation draft of the new guidance will be published shortly. This will encourage local authorities to adopt a strategic approach to the deployment of renewable projects in regional planning guidance and development plans. A separate guide containing advice on best practice will also be prepared to provide guidance to local planning authorities and developers about the best way to promote renewables through the planning system. As set out in the Energy White Paper (Chapter 9), the Government will also be consulting on a new regional-level strategic approach to energy issues, including renewables, which we expect will incorporate regional targets. This approach will help to encourage regional bodies as well as local authorities to examine strategically the resources and opportunities for renewable projects within their areas and what they can do to develop them in their region.

**12. It seems clear to us that the scale of opposition from the MoD to wind farm developments is such that it may seriously jeopardise the achievement of the Government's targets for renewables and the promotion of wind power. We urge the Government to set out publicly how it proposes to resolve this conflict (62).**

The Ministry of Defence (MoD) needs to make sure that windfarm developments do not impair operational needs including training and radar monitoring. MoD has objected to a third of all

recent on and offshore wind energy proposals and the Government therefore needs to work with the industry to reduce this.

To address these issues, as set out in the Energy White Paper (Chapter 4) MoD:

- has contributed to the issue recently of new guidelines for windfarm developers through the Wind Energy, Defence and Civil Aviation Working Group, designed to increase the transparency of the process for assessing wind proposals;
- will provide more central guidance to those reviewing applications, develop a help line for the industry and shorten proposal turn-around times from the current 6-8 weeks;
- will provide advice to developers on any adjustments that could be made to the location of a wind farm in order to make it acceptable to MoD. If this is not possible, MoD will explain to developers the problem of siting a wind farm in the locality;
- is supporting research to model the effect of turbines on radar and to identify ways in which adverse impacts could be reduced, including technical adaptations to turbine design;
- will engage with local authorities and regional bodies as they move towards considering the best sites for windfarms in the longer term when they begin to develop their new regional strategies for energy.

**13. We are concerned about the lack of a consistent basis for the DTI's regional renewable energy assessments, and the resulting anomalies in the results. We are puzzled as to how the DTI are intending to take forward its work in setting regional targets and would urge the department to clarify its plans (65).**

The Oxera Report on Regional Renewable Energy Assessments found that the regional renewable energy assessments had been undertaken using consistent and reasonable assumptions of land use and technical constraints. The economic assumptions were described as generally reasonable, although the report noted that there was considerable reliance on biomass where the costs are uncertain.

Several regions already have energy or renewables strategies. The Energy White Paper announced the Government's proposal to build on these by requiring that a strategic approach to energy be developed and implemented in each region. Ideally, this strategic approach will be integrated as appropriate into existing strategies and will:

- set out a strategic vision of the interaction between national energy policy and specific local and regional concerns;
- include regional targets (such as for renewables and energy efficiency) negotiated between the region and national government;
- show what action is to be taken by regional bodies and local authorities to deliver objectives on energy through their various roles and functions;
- act as an contribution by the region to the development of national policy.

Good regional energy strategies that examine strategically the resources and opportunities for renewables projects, can support the land use planning process by feeding into Regional Spatial Strategies and local authority plans. Developers can take account of these strategies when considering their proposals for investment in renewables projects. The Government will consult shortly on detailed proposals.

**14. If the DTI's regional renewable energy assessments are intended to influence planning, then they need to be incorporated in regional plans and Regional Development Agencies need to be held to targets. We also consider that the Office of the Deputy Prime Minister**



**needs to incorporate in new guidance a presumption in favour of renewables (66).**

The Government's response to the recommendation about regional energy assessments can be found under its response to recommendation 13. The Government's response to the recommendation about a presumption in favour of renewables can be found under its response to recommendation 27.

**15. The failure to carry out a thorough environmental appraisal of the proposals at the very start of the process was a material factor in the Government's failure to achieve its environmental objectives for the New Electricity Trading Arrangements. It also dramatically exemplifies the effect of the failure to incorporate the promotion of sustainable development as one of Ofgem's key objectives (71).**

An environmental appraisal of NETA was carried out as part of the regulatory impact assessment of the Gas and Electricity Bill in April 2000. This appraisal complied with the Government Guidance of the time. The environmental appraisal noted that NETA would have a slightly adverse effect on the environment; this was partly as a result of increased emissions due to a higher rate of energy consumption. The environmental appraisal said: "The Government recognises... that lower prices will lead to some increase in energy consumption, particularly for inadequately heated households. This is a welfare benefit which it welcomes. The report further noted that though emissions may increase as a result of the pursuit of economic efficiency in energy production and distribution, other measures are expected to have the opposite effect. These include, for example, the Climate Change Levy in the business sector".

As set out in the Energy White Paper (Chapter 9), the Government considers that it is premature to amend OFGEM's statutory objectives. However, the Government will introduce primary legislation to require OFGEM to compile and publish regulatory impact assessments, including environmental impact assessments, revise OFGEM's statutory guidance on social and environmental issues and provide guidance on prioritisation between different social and environmental objectives.

**16. It is practically inconceivable that a transition to an environmentally benign energy system could be achieved on the basis of 'cheap' energy, as the Prime Minister's Foreword to the Performance and Innovation Unit report indicates is a priority (77).**

The Government's new energy policy seeks to deliver outcomes against four key goals. These are to put ourselves on a path to cut the UK's carbon dioxide emissions by some 60% by 2050, with real progress by 2020; to maintain the reliability of energy supplies; to sustain our industrial and business competitiveness; and to ensure that every home is adequately heated and affordable.

These four goals are designed to be achieved together. They are set firmly within the Government's wider approach to sustainable development. The challenge is to find ways to achieve our goals at the same time. There is no simple mechanism for determining relative costs of different objectives. But among the considerations guiding our approach are that significant damaging climate change is an environmental limit that should not be breached and that our policies should take account of impacts on all sectors of society and specific measures will be needed for particular groups of people, for example to tackle fuel poverty.

**17. In view of the fact that electricity sector emissions are rising rather than falling, in direct contradiction to the DTI predictions, there is an urgent need to examine the environmental**

**impact of The New Electricity Trading Arrangement and recent market changes. We are concerned that the DTI and Ofgem appear to have done nothing in this respect; and that DEFRA are not planning to carry out a formal review of emissions until 2005, while their interim 2003 review will be too late for it to influence the White Paper (82).**

The Government's response to the recommendation on the environmental impact of NETA can be found under its response to recommendation 15.

The carbon savings figures included in the UK's Climate Change Programme were reviewed in 2001 during preparation of the UK's Third National Communication to the United Nations Framework Convention on Climate Change that was published on 31 October 2001. However, the Government is keeping the programme, its emission projections and the UK's progress - towards both the UK's target under the Kyoto Protocol and the domestic goal to reduce carbon dioxide emissions by 20% below 1990 levels by 2010 - under close review. The measures in the Energy White Paper should allow us to achieve our domestic goal. DEFRA plans to carry out an interim review of the programme and its implementation in 2003 and the Government is committed to a formal evaluation in 2004-05. As part of this work, data will be compiled and analysed, in liaison with DTI, to assess the impacts of developments in the energy supply sector, including the effects of NETA on the UK's actual and projected greenhouse gas emissions. Updated emission projections will also be produced by end 2004.

**18. We hope the Renewables Obligation will be successful, but are concerned that it represents a rather indirect policy mechanism when compared to the very direct incentives which 'feedin' instruments, such as those which have been used in Germany and Denmark, provide (83).**

Feed-in instruments such as those used in Germany and Denmark have a number of serious disadvantages. Firstly, a feed-in law would not be compatible with our liberalised and competitive electricity market. It would mean that a high level of Government intervention would be necessary, for example, in setting the prices of electricity from each technology. Secondly, a feed-in instrument could involve a very high cost to consumers to the extent that the competitiveness of British industry would suffer, as would the fuel poor. As a result, a feed-in instrument would conflict with our policy goals of both providing electricity at competitive prices to domestic and industrial consumers, and of eliminating fuel poverty.

The Renewables Obligation is a market-driven mechanism which incentivises the deployment of the lowest cost renewables technologies. This will ensure that renewable technologies can be made increasingly competitive against other forms of generation, at an acceptable cost to domestic and industrial consumers. To fully establish a wide range of renewable options, the Government put in a place last year a substantial three-year renewables support programme worth £250m for those technologies not yet ready to compete in the new market created by the Renewables Obligation. As set out in the Energy White Paper (Chapter 4) the Government has decided to increase this funding by a further £60m within this spending review. This is additional to the extra funding announced in the 2002 Spending Review, which allocated an additional £38 million for energy policy objectives in 2005/06, compared with 2002/03.

**19. The amounts of funding available for certain technologies do not seem to correlate to their potential generation capacity. The total increase in Government funding since 1999 is far less than might initially appear. We are also concerned over the ad hoc nature of capital funding announcements and the plethora of funding bodies now involved (91).**

The Government put in place, last year, a substantial renewables support programme worth £250 million from 2002-3 to 2005-06. The Government has decided to increase this funding by a further £60m within this spending review. This is additional to the extra funding announced in the 2002 Spending Review, which allocated an additional £38 million for energy policy objectives in 2005/06, compared with 2002/03. This funding an extremely important step in creating a positive framework for renewables in the UK.

The DTI has been developing funding schemes to take account of the likelihood that different technologies will come on stream at different times. As regards support for biomass, wave and tidal and solar PV:

- Biomass is a particularly valuable source of renewable electricity since its supply is not intermittent and therefore can be used as predictable base-load capacity. As the PIU Energy Review indicates, use of biomass is critical in the medium term.
- We have committed over £4m to wave and tidal during this spending review, in addition to the £5m set out in the report. All the technologies for wave and tidal are in the early stages of development, and, as any of them get to the prototype or demonstration stage, additional funding will be required. At present, there is a need to develop and test the technologies before going further.
- Government support for PV is in fact £20 million over 3 years (rather than £10 million). This is the first stage of a larger UK demonstration programme to rival our main competitors.

While there are a number of funding bodies involved, all have their particular expertise to offer. The DTI is actively co-ordinating all funded work related to renewables. The DTI is working with DEFRA, the Carbon Trust and the Engineering and Physical Sciences Research Council to make sure that public money is put to the best possible use in funding renewable technologies.

**20. There is a significant inconsistency in the way in which Ofgem treats embedded generators compared to network generators. We questioned the regulator on this topic, and he was visibly surprised when our understanding of the situation was confirmed (97).**

The Government accepts that whilst network generators connecting to the transmission network only pay a form of “shallow charges”, distributed generators pay deep charges to connect to the distribution network, while paying no use of system charges. The Government is anxious to ensure that generation connected to the distribution networks is treated in a fair and equitable fashion. To this end, the DTI, together with OFGEM, has established the Distributed Generation Co-ordinating Group, which proposes measures to remove barriers to the connection and operation of distributed generation.

In the interim period to the next Distribution Price Control Review, OFGEM has proposed that network operators should offer to collect connection charges for distributed generation over a number of years rather than in one up-front payment. It has also proposed that connection costs could be shared with any generators connecting at a later date and making use of the same reinforcement assets. These two steps together could ease the financing of distributed generation. OFGEM is also committed to publishing the detail of an incentive framework for connecting and utilising distributed generation later this year, for implementation in April 2005. This will help distributed generators to obtain quicker and easier connections to the distribution network in the interim period to the next price control and beyond. In January 2003 OFGEM published its initial

thoughts on both the principles for developing the regulatory framework for the next distribution price control and on interim arrangements for the period to April 2005 .

**21. We were told by Ofgem that it issues about a 100 documents a year—roughly an equal mix of consultations and decisions. We are at a loss as to how smaller independent generating firms can assimilate and comment on, where appropriate, such a large volume of material**

OFGEM does issue about 100 documents a year, but not all of these will be relevant to smaller independent generators. OFGEM recognises that documents alone are not necessarily the best way of communicating with a wide and varied audience in all circumstances. It increasingly publishes fact sheets, containing the essential facts and background to a particular policy or decision, to accompany the announcement of key policies. In December 2002, OFGEM launched a help facility for smaller generators under NETA, accessible on OFGEM's website.

**22. The Performance and Innovation Unit Review recommends a new DTI objective which, if adopted, will place overriding importance on environmental objectives. It is difficult to see how Ofgem can accommodate such an approach given its present statutory remit. Ofgem's duties under the Utilities Act should therefore be amended to incorporate as a primary objective the need to promote sustainable development (106).**

The Government believes that independent economic regulation delivers very significant benefits. Re-ordering OFGEM's statutory objectives and duties to give greater prominence to the environment has some initial attraction. But the current duties were put in place only two years ago, to give a new primary objective to the regulator to protect the interests of customers. The Government considers that it would be premature to re-visit that decision and simple re-ordering of the secondary duties would not affect the legal effect or the practical application of these duties.

To help avoid conflicts between our energy policy objectives and the regulatory regime for the gas and electricity markets, the Energy White Paper sets out a wide-ranging programme of action. (Chapter 9) This includes introducing primary legislation to require OFGEM to compile and publish regulatory impact assessments, (including environmental impact assessments), revising OFGEM's statutory guidance on social and environmental guidance as well as DTI/DEFRA/OFGEM establishing a joint working group on relevant environmental issues which will publish statements of progress through the Sustainable Energy Policy Network.

**23. The Performance and Innovation Unit review fails to provide an assessment of current policy instruments, even though this was an aim of the initial energy work begun in January 2001. We are therefore concerned that the Performance and Innovation Unit review may not adequately reflect the scale of the challenge, and that there now needs to be a specific process for translating its recommendations into specific policy commitments, so that the White Paper forms an action plan (112).**

It is true that the PIU did not provide an assessment of all of the main policy instruments for low carbon. Many of these were relatively new, and some of them, had not been introduced when the PIU review was being carried out. However, the Energy White Paper has assessed all of the main policy instruments for low carbon.

The Government fully recognises the scale of the challenge facing renewables. The policies set

out in the Energy White Paper (Chapter 9) are designed to address the immediate problems which are jeopardising the achievement of the 2010 renewables target as well as to deliver our aspiration to double renewables' share of electricity generation by 2020 from our 2010 target.

**24. We are concerned that the DTI's consultation on energy may fail to take forward the debate on the basis of the PIU recommendations, and is in danger of simply revisiting all the issues which the PIU themselves covered (para 115).**

The Government launched a major three-month stakeholder and public consultation in May 2002, building on the PIU recommendations. The consultation document covered all aspects of energy policy ranging from security of supply to innovation.

Consultations took place across Great Britain via a range of workshops, meetings, conferences and seminars for stakeholders. The Government also launched a wide-ranging and innovative public consultation, involving focus groups, deliberative workshops, outreach to school students and a web-based questionnaire. In total, over 6500 individuals and groups have made an input to the consultation, representing the most significant consultation on energy policy ever undertaken in the UK.

**25. The key conclusions we would highlight from our inquiry are these:**

- **Britain has the greatest potential for renewable energy of any country in Europe.**
- **It currently produces less than 3 per cent of its energy from renewables —a tiny proportion which compares very unfavourably with almost all other European countries.**
- **The Government has set a number of targets for renewable production. We will certainly not meet the interim target of 5 per cent of electricity from renewables by 2003. On the basis of present trends, we are unlikely to achieve much more than half the 10 per cent target for 2010 (116).**

The Government's response to the recommendations about the capacity of renewable generation in the UK can be found under its response to recommendations 9 and 10.

**26. We therefore believe that there is an urgent need for the Government to show leadership and:**

- **address the difficulties in gaining planning applications;**

The Government's response to the recommendation about the planning system can be found under its response to recommendation 11.

- **indicate tried and tested technologies which will deliver over the next decade; and**

The policies set out in the Energy White Paper (Chapter 4) are designed to fully establish a wide range of renewable options to deliver our carbon aims.

- **address the conflicting priorities of market liberalisation and cheap electricity as against our Kyoto obligations (para 117).**

The Government accepts that there will inevitably from time to time be tensions between its four different energy goals, which are set out in its response the recommendation 16. There is no simple mechanism, however, for determining the relative “weights” of the different goals. The Government does not believe that there is any conflict between market liberalisation and competitive markets as against our Kyoto obligations.

**27. There are, however, a number of other actions which the Government need to carry out as a matter of urgency, before the White Paper is issued.**

**- The Government must ensure that Ofgem's terms of reference for the review of New Electricity Trading Arrangement in its first full year place primary importance on environmental impacts.**

OFGEM's one-year review of NETA was published in July 2002. Although this document did not have a section devoted solely to the environmental impacts of NETA after one year, the impacts of NETA on the environment were identified and debated in the chapter regarding the impact of NETA on smaller generators, specifically CHP and Renewables.

The Government's response to the recommendation about OFGEM's statutory duties can be found under its response to recommendation 22.

**- The DTI should review options for incentivising the development of renewables under New Electricity Trading Arrangement, so that the playing field so far from being tilted against renewables as at present should favour them.**

The Government does not believe that any transitional arrangements, which for example incentivised the development of renewables under NETA would be desirable or practicable. Measures to encourage one form of generation over another are taken outside the NETA system, such as the Renewables Obligation and the Climate Change Levy, to specifically encourage renewable generation.

**The DTI should prepare legislation to amend the statutory duties of Ofgem in order to incorporate the promotion of sustainable development as a primary duty.**

The Government's response to the recommendation about OFGEM's statutory duties can be found under its response to recommendation 22.

**The Office of the Deputy Prime Minister should revise planning guidance for renewables as a matter of urgency, and incorporate a presumption in favour of renewables (para 120).**

The Government will shortly publish new planning guidance on renewables (PPS22) for England. But PPS 22 could not set out a presumption in favour of renewables. It is a fundamental principle of planning law that applications are considered on their own merits. Were a ‘presumption in favour’ to lead to perceptions that renewable projects had not been subject to proper consideration, it would leave councils (and possibly the Government itself) open to a judicial review.

**28. In our view, a crosscutting unit for sustainable energy policy—as recommended by the Performance and Innovation Unit—is unlikely to be sufficient, and we recommend that the Government should set up a Sustainable Energy Policy Agency (para 121).**

The Government does not believe that we need new structures or organisations to support the delivery of the ambitious programme, as set out in the Energy White Paper. Instead, the Government will strengthen the analytical and strategic capability of the DTI in the area of energy policy. This will serve as the focal point of a network - a Sustainable Energy Policy Network - of departmental policy units that will be involved in delivering the White Paper's commitments. Government Departments across Whitehall, the devolved administrations as well as the regulators, particularly OFGEM and the Environment Agency, will all be expected to play a full part in this network. The primary task of the network will be to ensure that the aims and targets set out in the White Paper are delivered. The Sustainable Energy Policy Network will publish annually a report on the progress being made towards the aims and targets set out in the White Paper.

To provide a clear line of accountability for the network, a new, ad hoc, Ministerial group will be set up to oversee the delivery of the commitments in the Energy White Paper. This group will be chaired jointly by the Secretary of State for Trade and Industry and the Secretary of State for the Environment, Food and Rural Affairs. To support the Ministerial group, the governance of the Sustainable Energy Policy Network will be strengthened with the creation of a Sustainable Energy Policy Advisory Board, made up of senior, independent experts and stakeholders.