

# The Energy Review

## Briefing from the Office of Sally Keeble MP Northampton North

### **Why was an energy review needed?**

Our understanding of how human activity, and in particular our need for energy, impacts on the environment has changed dramatically over the last ten years. So too has the global economy and political environment in which we live.

Energy is needed to sustain our economy but it should not compromise our environment or leave us vulnerable to political instabilities.



### **The Government's Energy Review is designed to:**

- Reduce carbon emissions in the face of climate change.
- Protect vulnerable consumers of energy such as the elderly.
- Secure reliable, economic energy from safe, dependable sources.

## **Summer 2006**

### **Goal One: Reducing carbon emissions in the face of climate change**

The overwhelming scientific consensus is that the build-up of carbon dioxide and other greenhouse gases in the atmosphere is causing or is likely to cause serious long term changes in our climate. Such changes may have catastrophic global impacts from the extinction of various species to fatal human exposure to weather extremes such as drought and hurricanes.

Some 70% of global emissions come from the way we produce and use our energy. So energy policy has a vital part to play in tackling climate change.

## **How will we reduce emissions?**

### 1) Saving energy.

The new measures the Government is bringing forward will help us save energy in our homes and in businesses and public buildings, saving carbon and saving money. Proposed measures include:

- more help for homeowners to understand and reduce their energy bills
- the phasing out of inefficient electrical goods.
- new incentives to reduce emissions from large organisations like supermarkets and hotel chains.
- a radical new idea to give energy supply companies incentives to reduce demand and therefore emissions from the home.

### 2) Market incentives to reduce energy consumption and pollution

The EU Emissions Trading Scheme generates a value for carbon which helps to drive improvements in energy efficiency, investment in renewable electricity and other technologies that reduce carbon emissions. Through this system businesses are allocated carbon credits which can be bought and sold. A business must not emit more carbon than it has credits for or it will be fined. The Government will strengthen this scheme.

### 3) Careful use of traditional energy types.

The Government also sees a continuing role for gas, nuclear and coal fired generation as follows:

- Coal-fired generation currently meets around one third of electricity demand but to ensure its long-term future we need to tackle its heavy carbon emissions. Cleaner coal technologies particularly carbon capture and storage could cut emissions by as much as 80 to 90%. The Government is working with Norway and the industry to develop this technology.
- Nuclear. The challenges are so great, that we cannot afford to rule out any low-carbon energy source that could help. Today nuclear power provides 19% of electricity. By 2020, this will

drop to 6% if existing power stations go unreplaced. If however retiring nuclear capacity is replaced by gas (or worse coal), our carbon emissions would be 8-9 million tonnes higher.

Any new nuclear power stations would be proposed, developed, constructed and operated by the private sector, who would meet full decommissioning and **their full share** of long term waste management costs. The government recognises that waste is an important issue whether or not stations are replaced. The Nuclear Decommissioning Authority and Committee on Radioactive Waste Management are devising a strategy to deal with our legacy waste. The costs of waste management would be built into the generating cost so that it is taken into account when weighing the pros and cons of nuclear against other energy sources.

#### 4) Using cleaner energy

The Government has committed to:



- Increasing the use of renewables so that 20% of our energy come from sources such as wind and wave power – this is a five-fold increase on today's level.
- Fostering research into and use of new clean renewables.
- The development of small-scale local energy generation schemes for example at the home level ('micro-generation').
- The use of more biofuel in our vehicles – moving from our current pledge of 5% biofuels in 2010 to 10% when

conditions are met. This is the equivalent of taking a further million cars off the road.

#### **Goal Two: Protect vulnerable consumers of energy such as the elderly**

Everyone should be able to afford an adequate energy supply and live in a warm home. Between 1996 and 2003, considerable progress was made in tackling fuel poverty, with the number of UK

households in fuel poverty falling from 5 million to around 1.5 million. This was thanks to a range of factors – not least economic growth, progress in tackling poverty in vulnerable elderly households and households with children, and specific fuel poverty policies, such as the Winter Fuel Payment. Rising fuel prices mean that fuel poverty remains a major long-term challenge which the government is committed to dealing with.

### **Goal Three: Secure, economic energy from safe, dependable sources**

Security of supply requires that the UK has good access to fuel supplies, the infrastructure in place to transport energy to centres of demand and effective markets so that supply meets demand in the most efficient way. Our challenges are to manage increased dependence on oil and gas imports; and ensure that households and businesses have the electricity they need at affordable prices.

Production from our own reserves of oil and gas is declining and it is likely we will rely on international markets to give us the supplies we need. For example, gas accounts for 40% of our electricity generation and nearly all our heating. We are moving from near total self-sufficiency to as much as 90% dependence on gas imports by 2020. This is a serious security challenge if we want to keep lights on and homes heated. The Government will aim to:

- Maximising use of UK oil and gas reserves by boosting the attractiveness of investment in the UK compared to other regions of the world.
- Diversifying sources of supply and reducing our gas dependence through energy efficiency, and improving the investment environment for distributed generation, renewables and nuclear generation.

### **Where do these Three Goals take us?**

If all the proposals in the Review were implemented this could mean carbon emissions were 19 -25MtC lower in 2020 (the equivalent of the annual emissions of Greece). If we add in the potential savings that could be generated if road transport were to be included in the EU Emissions Trading Scheme we would be making real progress towards our 2050 goal of reducing carbon emission by 60%.



The proposals also help the UK to manage the risks associated with increased dependence on energy imports and give policy clarity to companies on the need for new investment in cleaner electricity generation.

However the Government recognises it cannot solve climate change alone, it needs the support of individuals and businesses and, crucially, other governments. The UK made progress last year at Gleneagles and Montreal, now it needs to agree on a future international framework for after 2012.

**What next?**

The Review is a staging post – providing a clear direction of travel and setting out next work that needs doing. Sally Keeble MP would be interested to hear your views on the Review so that she can represent her constituents opinions as these plans make their journey through Parliament from concept to reality.