

Coalition Government's ambitious energy targets

In the wake of September's cabinet reshuffle, Edward Davey took responsibility for the Coalition Government's renewable energy strategy. RenewableUK's Publications Manager, Ben Alcraft, asks the Secretary of State for Energy and Climate Change about ambitious government targets, dwindling subsidies, and a debate framed by evidence.



Secretary of State for Energy and Climate Change, Edward Davey chats with Gamesa Director General, Javier Perea, observed by Peter Pantlin, Gamesa's UK Chief Corporate Officer, and David Blunt, their Director Public Policy UK and EU Institutions, on a visit to the Department. Photo: © Crown

The Government's renewable energy targets are ambitious, both in terms of deployment and carbon emissions. Are those targets realistic and are we on course?

"Our renewable targets are ambitious, but they are vital if we are going to reduce our reliance on imported fossil fuels and reduce the carbon intensity of the power sector. Our Renewable Energy Roadmap clearly sets out how we can meet our 2020 target and,

so far, we are on track to meet our interim targets which we will publish in an update to the Roadmap this Autumn.

"Renewable and low carbon energy can also make a real contribution to growth and a surge in investment in renewables will support jobs across the country. Over the past 18 months, companies have set out plans for approximately £12.7 billion of investment which could support almost 23,000 jobs."

"Our renewable targets are ambitious, but they are vital..."

How valuable do you think nuclear power will be to our future energy mix?

"We want to see new nuclear power come forward as part of a low carbon, secure and affordable energy mix, but this must be without public subsidy, as we agreed when the Coalition Government was formed.

"There are plans from industry to build around 16GW of new capacity, and eight sites across the country are designated as suitable for new nuclear reactors to be built. This 16GW of new build could support almost 30,000 jobs and help us reduce emissions from the power sector."

The Renewables Obligation Banding Review reduced support for onshore wind development by 10 per cent. Does that signify the maturity of the industry or an increased reluctance for government to financially support wind power?

"Our policies to support renewable energy must be firmly based on the evidence. And evidence suggests that the costs of the technology are coming down and that the industry is maturing. Our view is that subsidy should reflect these costs and that is why we made the reduction.

“The UK is already a world leader in wave and tidal power and we need to really capitalise on this...”

“Striking a balance between driving investment and ensuring value for consumers is vital. That’s why, overall, we will bring forward more renewable electricity while reducing the impact on consumer bills between 2013 and 2015, saving £6 off household energy bills next year and £5 the year after.”

Support for marine energy has increased considerably. Are you optimistic that wave and tidal power will reach commercial maturity?

“Marine power is a growing, green, clean source of power which has the potential to sustain thousands of jobs in a sector worth a possible £15 billion to the economy by 2050. The UK is already a world leader in wave and tidal power and we need to really capitalise on this to ensure energy from marine power reaches its full potential in our future energy mix.

“We recently opted to more than double the support available for certain marine technologies in order to seize this opportunity, and we have already designated the South West and Pentland Firth and Orkney as Marine Energy Parks to bring together businesses, academics and developers.”

It’s been noted that changes to subsidies could stimulate £20 to £25 billion of new investment in the economy between 2013 and 2017. Are these figures realistic and will Government financial incentives help?

“The changes we are making to support renewables under the Renewables Obligation will create £25 billion of new investment in the economy between 2013 and 2017 which will be a major boost for the supply chain. We want to see far more of the content for these new renewable energy projects manufactured in the UK than has previously been the case. Earlier this year, the offshore wind industry confirmed its vision for the UK



Open Hydro device. Photo: Open Hydro

to provide more than 50 per cent of the content of future wind farms, which I wholeheartedly welcome.”

The renewables industry often states that up to 120,000 jobs will be created in the next ten years. Do you think these claims are overstated?

“The renewables industry could be a significant contributor to the UK economy and support a huge number of jobs across the country. Supply chains will spring up which will have the potential to help bring once thriving industrial heartlands back to life again. These supply chains will not just serve the domestic market, but the global market too. With countries like China and India increasingly investing vast sums in clean energy, the opportunities could be limitless.

“Major manufacturers such as Siemens and Gamesa are also taking work forward on the development of new factories, and established UK companies such as David Brown and

Mabey Bridge are winning business in the sector. The future is looking very positive.”

There is a significant risk that the renewables industry will have a skills shortage if the planned growth comes to fruition. What is the Government doing to support the training, up skilling and transition of staff?

“A skilled workforce will be vital to ensure that the UK renewables sector thrives, so we must engage with young people and inform them of the long-term and highly rewarding prospects this industry offers. We therefore need to influence them to take up the main science, technology, engineering and maths (STEM) subjects required for entry into sectors like oil and gas, carbon capture, nuclear power and renewable energy.

“In addition, a National Skills Academy for Environmental Technologies was launched in February last year, with the aim of ensuring that there is a qualified and highly-skilled

workforce to support the Government's targets for renewable energy and low carbon transition. This will galvanise employers to invest in skills and ensure that there is demand-driven and quality-focussed provision to meet employers' needs across England.

"Finally, we continue to work with the sector to improve the range and quality of green skills provision in further education and engaging with the Sector Skills Councils about how we can work together for the green economy."

There are ambitious plans to build a European super grid. How would this affect the UK's future security of supply, and will it open up any commercial possibilities?

"There is a huge amount of potential benefit in linking the UK power market up to Scandinavia, Ireland and mainland Europe. The ability to move and trade significant amounts of electricity will enhance our energy security so I welcome the industry-led developments in this area.

"Last year, we saw the opening of the Britned interconnector between the UK and Holland,

earlier this year we signed an agreement with Iceland to explore the potential for an interconnector to bring geothermal power from volcanoes to UK shores, and I will shortly be opening the EirGrid connector between the UK and Ireland."

At the RenewableUK Global Offshore Wind Conference you said it was 'time to take the politics out of wind'. Do you think the coalition government will be successful in building on existing public support?

"One major misconception is that nobody likes wind farms. In fact, the Department for Energy and Climate Changes' recent public attitudes survey found that around two-thirds of people support the growth of onshore wind. In terms of offshore wind, the figure is even higher, with 76 per cent supporting the technology.

"I am keen that the whole debate is framed by the evidence, not dodgy figures and false information, particularly when it comes to onshore wind. That's why we have launched a call for evidence into onshore wind costs and community benefits.

"Industry also has a role to play in this debate, particularly in terms of local engagement with communities. Already, the industry has made progress with the development of a community benefits protocol so that the benefits of hosting wind farms can be seen more clearly by communities."

How do you think the Green Investment Bank will benefit the wind, wave and tidal industries, especially considering that wave and tidal energy are not listed as a priority?

"While at least 80 per cent of the funds committed by the Green Investment Bank (GIB) over the Spending Review period will be invested in the priority sectors, the intention is for the GIB to be given an overall broad remit to focus on green infrastructure. This would include the marine energy sector. All potential investments will, of course, need to be assessed by the GIB against green impact, sound finances and additionality.

"The GIB will be given the freedom to develop and deploy a wide range of products within the parameters set by the terms of its state aid approval."



Edward Davey visiting Dounreay, a former nuclear power station which is well advanced into decommissioning. 10 October 2012. Photo: DECC



Nick Clegg delivers a speech at the Autumn Conference. Photo: Liberal Democrats

Did you know?

The Renewables Obligation places a mandatory requirement on licensed UK electricity suppliers to source a specified and annually increasing proportion of electricity they supply to customers from eligible renewable sources – or pay a penalty. The scheme is administered by Ofgem who issue Renewables Obligation Certificates (ROCs) to electricity generators in relation to the amount of eligible renewable electricity they generate. Generators sell their ROCs to suppliers or traders which allows them to receive a premium in addition to the wholesale electricity price.

The renewables industry has called for more clarity on the Energy Bill, especially because the timeframe is so tight. Will there be more details shortly and are the industry's concerns being addressed?

"It is absolutely imperative that we get the Energy Bill right if we are to bring forward the £110 billion of investment needed in electricity infrastructure this decade. The renewables industry has been incredibly helpful in getting us to the point of having a Draft Energy Bill but there are still details that the industry, and the Government, are working hard on ahead of the formal introduction of the Bill later in the Autumn."

When more than 100 MPs wrote to the Prime Minister to demand a cut in support for wind, did their intervention have any significant impact?

"It certainly sparked a great public debate, and that's healthy. We want to make policies based on evidence, and that's the crucial point. The evidence pointed to a 10 per cent cut in onshore wind subsidies from April 2013 and that's why we chose to confirm that in the Renewables Obligation banding review over the summer.

"We want to continue making evidence-based policy and that's why industry input in our call for evidence on onshore wind costs is so vital.

Given that onshore wind faces more political challenges than offshore, should we be focusing more on offshore wind?

"Our long-term energy security is best served by having a mix of energy technologies. This means that all renewable technologies will play a role – in particular offshore wind, onshore wind and biomass. Clearly, from where we stand today, there is more potential growth in offshore than onshore, and I look forward to seeing some of the Round 3 offshore projects coming forward in the coming months and years.

"The consumer must also be at the heart of everything we do. Onshore wind is the cheapest large-scale renewable technology. If we were to take it out of the mix, we would have to focus on other more expensive technologies, which would add to consumers' bills."

The Cost Reduction Task Force was set up to drive down offshore wind costs. How important is it that Government and industry work together to ensure long term commercial viability?

"We want to see a major expansion in offshore wind but no sector can rely on subsidies forever. Costs must come down. That's why we challenged the industry to reduce costs down to £100 per megawatt hour.

"Industry has responded well and its Cost Reduction Task Force recently confirmed that the challenge of cutting costs can be met, setting out a pathway for doing so."

Will Smart meters make the public more personally responsible for the energy they use, and what is the Government doing to educate people on ways to limit their consumption?

"I believe so, yes. By the end of 2019, every home in Great Britain will have a smart meter and an in-home display. This will help consumers manage their consumption, provide accurate bills, and boost the market for a wide range of smart energy services.

"The Green Deal launches this Autumn and will help people pay for home improvements, such as insulation, through savings on their energy bills. The Green Deal will also help people make energy-saving improvements to their homes to keep them warm and cosy, reduce the amount of gas and electricity that householders need, and will help keep their heating bills down.

"Both smart meters and the Green Deal will play an important part in Britain's transition to a low-carbon economy and help us meet some of the long-term challenges we face in securing supply and reducing demand." ■