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PARLIAMENTARY BRIEFING

A UK Energy Bill for a low carbon Scotland

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Summary

- WWF Scotland welcomes reform of the electricity market. Although the proposed package needs significant improvement, it has the potential to deliver a decarbonised power sector across the UK and ensure we meet both Scottish and UK climate and renewable energy targets.
- In order to meet Scottish climate change and renewable energy targets, Scottish Ministers must call on UK Ministers to ensure this bill enables growth in renewables, emphasises the role of energy efficiency and reduce consumer costs. In particular it must include:
 - A specific 2030 decarbonisation goal enshrined in the Bill
 - Enabling powers for energy efficiency
 - Greater emphasis on renewables to create investment certainty
 - No favour for nuclear and gas over renewables
 - A stronger Emissions Performance Standard

A 2030 decarbonisation goal

In their recent report, the UK Energy & Climate Change (ECC) Committee criticised the lack of 'specific outcomes' in the bill, highlighting 'decarbonisation' as one area where there this applied¹. WWF research shows that renewable sources can meet 60% or more of the UK's electricity demand by 2030². By using this amount of renewable energy, alongside energy efficiency and interconnection, we can decarbonise the power sector without resorting to new nuclear power. This echoes the UK Committee on Climate Change's recommendation for a commitment to a near-decarbonisation target of 50gCO₂/kWh by 2030³. This is seen as an essential prerequisite to reducing emissions from transport and heating through electrification.

The Scottish Government already has a commitment to have a 'largely decarbonised electricity generation sector by 2030' so we expect Scottish Ministers to work with UK counterparts to enshrine a 2030 target into this Bill. Securing such a clear and unambiguous ambition will provide a strong investment signal to the renewables sector. Companies investing in Scotland's renewables such as Gamesa and Samsung Heavy Industries are likely to respond to this signal and invest in Scotland, creating jobs, reducing risk, and ultimately cost.

¹ <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmenergy/275/27502.htm>

² Positive Energy, http://assets.wwf.org.uk/downloads/positive_energy_final_designed.pdf

³ Committee on Climate Change, Fourth Carbon Budget <http://www.theccc.org.uk/reports/fourth-carbon-budget>



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Greater emphasis on demand reduction

Energy efficiency has a key role to play in reducing emissions cost effectively and reducing the overall amount of low-carbon infrastructure needed. A Bill designed to address the electricity market is incomplete if it only focus on supply and pays no attention to demand. We suggest that enabling powers for incentive measures for energy efficiency should be incorporated in the Bill, to allow Ministers to introduce secondary regulations later. Without such measures, the cost of maintaining security of supply (at any carbon intensity) will be unnecessarily high, and many more households will be pushed into fuel poverty over the coming decades. This view is shared by the ECC Committee, which recommended that demand-side measure are given a much higher priority in the Bill, 'not least because it is likely to deliver much more cost effective solutions than building ever greater levels of generating capacity'⁴.

We urge Scottish Ministers to work with their UK counterparts to ensure the Bill includes provision for future energy efficiency measures. With 800,000 Scottish households now in fuel poverty, more powers in the UK Energy Bill to reduce primary energy demand will help cut emissions, tackle fuel poverty, cut fuel bills and boost green jobs across the Scottish economy.

Greater support for renewables

Scotland has already shown how a strong target and strong political will can create favourable investment conditions for renewables. Given that 2030 is only one investment cycle away, we believe the UK Government should be much more specific about its intention for the deployment of renewables beyond 2020. Explicit support for renewables within the Bill is key to creating investment certainty for the renewables sector and to ensure that the UK has sufficient low-carbon capacity in place to keep the lights on until 2030. Recent delays in the development of carbon capture and storage (CCS) and nuclear indicate that it is very likely that both technologies will under-deliver out to 2030, whereas renewables and energy efficiency could provide the bulk of emissions reductions needed to achieve this goal.

Problems with a one-size fits all approach

There is considerable uncertainty about whether the proposed Contracts for Difference Feed-in Tariff (FiT CfD) is the most suitable option for many classes of renewable technologies. The ECC Committee called this support mechanism 'complex' and 'unworkable' in its current form⁵. A technology-neutral approach can only be implemented in practice when technologies share similar characteristics and are at equivalent stages of development. Renewables are not yet in a position where they can compete on a level playing field with dominant power generation such as gas or nuclear.

We believe that the poorly understood CfD approach is likely to result in an investment hiatus due to the complexity of its design and implementation. With the UK Government's decision to no longer underwrite the strike price under the CfD contracts, the risk has now been transferred to the electricity suppliers, who will now be counter party to these contracts. This introduces a new element of risk which means that there are likely to be higher costs involved.

And end to the damaging pursuit of nuclear

WWF believes the Energy Bill risks distorting the investment environment towards nuclear at the expense of renewables. Recent developments in the UK's nuclear market suggests that it is extremely unlikely that much nuclear capacity will be built in the UK over the next 20 years. This is exemplified by the recent withdrawal by E.ON and RWE from the UK's Horizon Joint Venture and the doubling of construction costs of building reactors in France and Finland, both of which are between 4 and 5 years behind schedule. The effect of the current package of reforms could be an energy bill that falls short of providing the framework for renewables and yet nuclear still doesn't move forward due to spiralling costs – a lose-lose situation.

⁴ <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmenergy/275/27502.htm>

⁵ Ibid

An Emissions Performance Standard (EPS) for Scotland

WWF believes the UK Government's suggested EPS is set too high at 450gCO₂/kWh and it risks locking us into high carbon power generation for many years to come. This is a view shared by the ECC Committee which suggested the current proposal was 'pointless' and could endanger meeting our climate targets⁶.

Although we understand that gas power has a role to play in the transition to a low carbon economy, this level of EPS risks giving a green light to a new dash for gas. In doing so it significantly undermines the environmental integrity of the Energy Bill and in turn, both Climate Change Acts. For example, were the consented gas station to be built at Cockenzie, it would be able to operate without carbon capture and storage until 2045. Given our climate change targets, and the Scottish Government's policy commitment to a decarbonised power by 2030, this is something we cannot afford to happen. A stronger EPS must ensure that any new gas plant must be built with some degree of combined heat and power (CHP) or carbon capture and storage (CCS).

It is important that the Scottish Government supports an EPS model that aligns with its stated commitment to a decarbonised power sector and remains consistent with delivering our world leading climate change legislation. In their Draft Electricity Generation Policy Statement (EGPS)⁷, Scottish Ministers proposed setting an EPS through executively-devolved powers under S.36 of the Electricity Act 1989. There are already deliberate differences in electricity policy in Scotland compared to the UK and we encourage Scottish Ministers to develop a Scottish-specific EPS that is consistent with Scotland's priority of a renewables rich, decarbonised electricity system.

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⁶ <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmenergy/275/27502.htm>

⁷ <http://scotland.gov.uk/Resource/0038/00389294.pdf>