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## PARLIAMENTARY BRIEFING

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### Electricity Market Reform debate - May 2013

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- Electricity Market Reform has the potential to deliver a decarbonised power sector across the UK to ensure Scottish, UK and EU climate and renewable energy targets are met. There is a strong consensus across businesses, investors and civil society that the best way to position the UK as a modern, efficient economy attracting investment and creating jobs, while cutting carbon emissions and controlling energy costs, is to decarbonise our electricity supply.<sup>1</sup>
- WWF Scotland welcomes the cooperation between UK and Scottish Governments on the UK Energy Bill, currently awaiting Report Stage in the Commons. However, WWF urges Ministers to address some key concerns that remain with the Bill;
  - the need for a power sector decarbonisation target in 2030;
  - the lack of energy efficiency measures in the Bill;
  - the dangers of dependence on expensive, volatile, imported fossil fuels.
- As already demonstrated by the Scottish Government setting its own 2030 decarbonisation target, cooperation between Governments should not preclude the setting of Scottish-specific measures to ensure we meet Scottish targets. Where Scottish Ministers can go further than UK counterparts, such as setting its own Emissions Performance Standard, we believe they should.

#### Introduction

The UK Energy Bill will shape the energy sources used to power Britain for the next forty years. We need to attract over £100bn investment over the next decade to replace and upgrade the UK's energy infrastructure. The choices made now will have long-standing consequences for the future competitiveness of the economy, climate targets, energy prices and consumer bills. The International Energy Agency has warned that that if we are to prevent a 2 degree rise in global temperatures above pre industrial levels we must leave at least two thirds of known fossil fuel reserves in the ground and shift investment patterns towards energy efficiency and renewable energy technologies<sup>2</sup>. With recent news that global concentrations of CO<sub>2</sub> in the atmosphere have now passed 400 parts per million (ppm), Governments around the world must respond by signaling a clear intention to reduce our use of fossil fuels if we want to avoid dangerous climate change in future.

This briefing focuses specifically on one of the levers available to Scottish Ministers to meet its own climate change, renewables and decarbonisation targets – the Emissions Performance Standard.

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<sup>1</sup> [http://assets.wwf.org.uk/downloads/joint\\_statement\\_on\\_decarbonisation\\_target\\_20\\_feb\\_2013.pdf](http://assets.wwf.org.uk/downloads/joint_statement_on_decarbonisation_target_20_feb_2013.pdf)

<sup>2</sup> <http://www.iea.org/publications/freepublications/publication/English.pdf>



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## A Scottish Emissions Performance Standard (EPS)

WWF Scotland welcomes the commitment by the First Minister to set a power sector carbon intensity target of 50g CO<sub>2</sub> / kWh of electricity by 2030, providing a strong investment signal to the renewables sector. However, if this target is to provide confidence to stakeholders and investors, it must now be matched with clear policies, such as a Scottish-specific EPS, to ensure its achievement.

Green light for unabated gas - WWF believes the UK Government's suggested EPS for new power plant, grandfathered until 2045 is set too high at 450gCO<sub>2</sub>/kWh. This is above the level of emissions from a new gas plant, and risks locking us into high carbon power generation for many years to come. Such an EPS would act as a guaranteed licence for new gas plant to continue generating unabated for the duration of its economic life, i.e. well beyond 2030. This would undermine Scotland's ability to meet its emissions reductions targets under the Climate Change Act and its ambitious renewables targets. In July 2012, the UK Energy and Climate Change Committee suggested the current EPS was 'pointless' and could endanger meeting our climate targets'.<sup>3</sup> In November 2012, the EET Committee requested 'a revision of the Emissions Performance Standard that does not create incentives which will lead to investment being unduly diverted from renewables to gas'.<sup>4</sup> This revision has not happened.

WWF is also concerned by an apparent change in the Scottish Government's position regarding the role of an EPS. In December 2010, the Scottish Government's initial consultation response to the EMR stated '[the EPS]' key objective must be to decarbonise electricity generation by 2030 by incentivising investment in CCS to reduce emissions from both coal *and* gas plant.' We note the language in the recently passed Legislative Consent Motion memorandum, where it states that 'effectively, the EPS will prevent new coal power stations being built without CCS, but will not affect gas-fired plant.' We are not aware of any explanation for this change of position.

No incentive for CCS - An EPS of 450g provides little incentive to further develop CCS on which the Scottish Government places such priority, and reliance. WWF Scotland notes that the proposed UK EPS does not match the CCS timetable set out on p75 of the Government's draft second Report on Proposals and Policies (RPP2). In this scenario, by 2025 1GW of CCS is in operation, and just two years later a further 600MW of CCS is added. In the absence of a progressively tightening EPS it is hard to envisage how this transition will be secured.

Application to existing coal plants - The fact that the EPS also does not apply to existing coal plants means any life extension to Longannet Power station beyond 2020 would mean Scotland's emissions would be approx. 8m tonnes higher per year than the Scottish Government assumes in its RPP2. There is a growing view that it is becoming increasingly economic to retrofit such old coal plants so as they comply with the EU Industrial Emissions Directive pollution control regulations. This would effectively extend their life well beyond 2030. In the absence of a strong EPS limit, this would mean Scotland is locked into high carbon power generation for many years to come.

### Conclusion

In the absence of an adequate EPS, WWF Scotland believes the Scottish Government should employ all appropriate levers to ensure Scotland remains on track to meet its own climate change and decarbonisation targets. We therefore seek a firm commitment from Scottish Ministers that they will identify and implement additional measures to limit CO<sub>2</sub> emissions from fossil fuel power stations. In particular, WWF Scotland calls the Minister to ensure the final Electricity Generation Policy Statement, due for publication later this year, will include measures that give all stakeholders confidence that Scotland will meet its commitment to a 'largely decarbonised power sector by 2030'.

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<sup>3</sup> <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmenergy/275/275.pdf>

<sup>4</sup> [http://www.scottish.parliament.uk/S4\\_EconomyEnergyandTourismCommittee/Reports/eeR-12-07w-r.pdf](http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/Reports/eeR-12-07w-r.pdf)