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PARLIAMENTARY BRIEFING

Debate on the Address (Cost of Living): Energy and Water Bills

14 May 2013

The Queen's Speech 2013 announced the Water Bill and the carryover of the Energy Bill.

The Energy Bill

The Energy Bill will shape the energy sources used to power Britain for the next 40 years. In a competitive international market, the UK needs to attract over £200 billion investment over the next decades to replace and upgrade our energy infrastructure and diversify the energy mix – yet the last 18 months have created a perception of political risk that is deterring major investors, manufacturers and banks. During the remaining stages of the Bill, it is imperative that the Government restore confidence, take steps to reduce risk, and create a long-term, stable, risk-free framework to attract private sector investment in energy infrastructure.

WWF recommends the Bill should

- set a power sector decarbonisation target for 2030 in line with the advice of the Committee on Climate Change as soon as possible;
- include ambitious electricity demand reduction measures in the Bill to prioritise efficiency.

The case for a decarbonisation target

Low carbon products and services are a successful, growing sector of the UK economy in spite of the recession. The CBI estimates the sector could be adding £20 billion extra in annual GDP and halve the UK's trade deficit by 2015 with the right policies in place. Thanks to the UK's outstanding offshore wind potential, a number of companies including Siemens and Gamesa have signalled their intention to build manufacturing plant in the UK. However these plans are currently on hold pending longer term policy certainty given that investment cycles for infrastructure are already looking to 2030. This certainty is critical for attracting investment in the UK's renewable energy manufacturing supply chain, which holds the key to driving significant amounts of investment and GDP growth in the UK. The CBI warns that lack of long-term policy certainty could result in the UK losing around £0.4bn in net exports by 2015.

A 2030 decarbonisation target would therefore play a critical role in signalling to investors, project developers and supply chain manufacturers that the UK is committed to significantly reducing carbon emissions in its power sector over the next 20 years. This, in turn, would provide a clear outlook as to the volume of low-carbon generation projects required in the next investment cycle, which in turn will help stimulate and accelerate investment in the UK's



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renewable energy supply chain – creating more jobs and GDP growth than comparable investment in gas.¹

The Government has accepted all these points at Committee stage, and agreed in principle that a carbon intensity target for 2030 “would be useful and of value”. Secretary of State Ed Davey has admitted “the vast majority [of companies] do appear to support a decarbonisation target in the Bill” and former Energy Minister John Hayes said explicitly that there was no disagreement about the principle, only the mechanism and timing of the target.

However, the Coalition’s compromise amendment – delaying any possible target until 2016 at the earliest – has not met with approval among businesses and investors. Siemens, for example, has said “If we wait until 2016 to get the certainty that would help us to make a decision, particularly around the Hull investment [a new factory for offshore wind turbines] – this is for other companies with other technologies as well – we would probably miss the boat.” The Government should reconsider before Report Stage and the Lords stages of the Bill.

Energy efficiency

Saving energy is a ‘no regrets’ policy. It is the quickest and cheapest way to protect consumers from rising bills, cut carbon emissions and improve security of supply without building expensive new power stations. Government analysis shows that the UK could reduce its demand for electricity by 36% by 2030, but current policies will achieve only 37% of this potential. Even a relatively modest 10% reduction in electricity demand could by 2030 save electricity equivalent to that generated by five power stations. Stronger policies before 2020 would limit the rise in consumer bills to no more than average in 2010.²

As the Energy & Climate Change Select Committee have said, further measures to bring about electricity demand reduction are therefore needed (both in the Bill and beyond it), including tough energy efficiency regulations and standards for buildings and products, and significant public funding for energy efficiency programmes, including the recycling of carbon revenues into energy saving programmes. The Government should bring forward amendments and demonstrate what additional savings they intend to achieve.

For more on the Energy Bill, download our briefings from www.org.uk/parliamentary

The Water Bill

The recent extremes of weather – from drought and hosepipe bans to heavy rainfall and flash floods – highlight the importance of sustainable water management. The Water Bill offers an important opportunity to introduce reforms that will deliver on the ambition set out in the Water White Paper ‘Water for Life’ and ensure that the water sector

1. is resilient to the threats of climate change;
2. sufficiently protects the freshwater environment and;
3. meets the needs of customers with affordable water.

When the draft Water Bill was published in summer 2012 it was criticized by many in the water industry, Wildlife and Countryside Link’s Blueprint for Water Group, and the pre-legislative scrutiny by the EFRA Committee, for failing to meet these criteria. DEFRA have since consulted on amendments to the Bill but until the revised Bill is published in the summer, we continue to

¹ Cambridge Econometrics - A study into the economics of gas and offshore wind (October 2012), for WWF and Greenpeace.

² Committee on Climate Change - Households Energy Bills – impacts of meeting carbon budgets (December 2011).

have concerns about whether it will deliver a sustainable and affordable water management system in England and Wales.

WWF recommends the Water Bill should

- include a legislative framework for abstraction reform, giving the Government powers to reform the abstraction regime from 2015 according to the principles set out in the White Paper;
- ensure that the water and sewerage market proposals in the Bill, particularly that to unbundle the water supply licence, do not exacerbate the environmental damage caused by over-abstraction;
- remove red tape to allow water companies - no matter where they are location - the option of proposing compulsory metering through their water resources management process, supported by appropriate tariffs;
- elevate the sustainable development duty of Ofwat to a primary duty, in order to tackle water waste and unsustainable water management more effectively and support greater implementation of demand management.

For more on the Water Bill, download our briefing from www.wwf.org.uk/parliamentary

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