

WRITTEN MINISTERIAL STATEMENT

CONSULTATION FOR A UK RENEWABLE ENERGY STRATEGY

**JOHN HUTTON MP: SECRETARY OF STATE FOR BUSINESS,
ENTERPRISE, AND REGULATORY REFORM**

26 JUNE 2008

As promised in my statement of January 23 2008, I am publishing today a consultation on the ways the UK could increase renewable energy in order to meet the UK's proposed share of the EU target to achieve 20% of all Europe's energy from renewable sources in 2020.

Increasing renewable energy is a key element of our strategy for delivering our two key goals of tackling climate change and ensuring that the UK has a secure supply of affordable energy. Measures set out in the 2007 Energy White Paper will already triple our use of renewables from 1.5% overall energy in 2006 to 5% by 2020, but we recognise we need to do more. Investment in renewable generation will help reduce our dependence on fossil fuels at a time of rising prices, particularly oil and gas. This consultation will inform the UK Renewable Energy Strategy to be published in spring 2009, once the final EU Directive implementing the target for EU renewable energy has been agreed and the UK share decided. The consultation will run for 3 months and we will publish the responses this autumn.

Currently, the proposed UK share of the EU target is to achieve 15% of our energy – electricity, heat and transport – from renewables by 2020. Our negotiating position has been to ensure that the targets contained in the draft directive are credible, by giving Member States enough flexibility to deploy renewables in the most cost effective manner. This need for credibility applies to other key parts of the draft directive, including the 10% renewable transport target for biofuels, so the UK has been pushing hard for robust sustainability criteria to be included.

The challenge that a target of 15% renewable energy represents should not be underestimated. It may require a 10 fold increase in renewable generation in the UK from 2006 levels. This might mean, for example, needing up to an extra 4000 onshore and 3000 offshore wind turbines, a major challenge for the supply chain and UK business. We are also conducting a Feasibility Study on the range of tidal power options in the Severn Estuary that could provide up to 5% of UK electricity. The consultation seeks views on how we can meet the 15% target in the most cost-effective way.

Regardless of our final approach, success will require action right across the economy, from industry and investors, but also from the Devolved Administrations, local and regional bodies and consumers.

This consultation outlines possible measures to facilitate a rapid expansion of renewables. It sets out ways to address the significant barriers and encourage the enormous level of investment required, signalling the business opportunities that this transformation could offer. The measures are wide ranging and include:

- Extending and raising the level of the Renewables Obligation to encourage up to 30-35% of our electricity to come from renewable sources by 2020;
- Introducing a new financial incentive mechanism to encourage a very large increase in renewable heat, including in homes and buildings;
- Delivering more effective financial support for heat and electricity microgeneration technologies in homes and buildings;
- Helping the planning system to deliver, by agreeing a clear deployment strategy at regional level similar to the approach established for housing;
- Ensuring appropriate incentives for new electricity grid infrastructure and removing grid access as a barrier to renewable deployment;
- Exploiting the full potential of energy from waste, by considering further restrictions on landfilling biomass, as far as is practical;
- Requiring all biofuels to meet strict sustainability criteria, to limit adverse impacts on food prices, or other social and environmental concerns;
- Encouraging the development of new renewable technologies, by ensuring effective support particularly where the UK has the potential to be a market leader;
- Maximising the benefits for UK business, by providing a clear long-term policy framework, working with Regional Development Agencies to tackle key blockages, considering support for specific technologies and addressing skills shortages.

In the short term, the impact of our measures on utility bills is likely to be almost zero; however, such rapid action will not come without some associated cost. The extent of these rises will depend on the cost of alternatives, particularly fossil fuels, and we can limit their effect, both on energy bills and fuel poverty by promoting an essential, ongoing role for energy efficiency.

As part of this, Defra will publish a consultation in the autumn looking at energy efficiency across all sectors with a particular emphasis on households, and within that, what we can do to improve the efficiency of our existing housing stock.

We are committed to developing the most cost effective approach to delivering the scale of renewable energy required. To ensure we have investigated all the options, we are also consulting on the role that using provisions in the draft EU Renewables Directive relating to trading could play in reducing the overall cost to the UK of meeting the target.

There are costs associated with increasing renewable energy, however we believe they are worth paying for. As the Stern Review concluded, the costs of tackling climate change could be far higher in the longer term than the costs of taking action now.

The business benefits from an expansion in renewable energy in the UK could include up to 160,000 new jobs generated in the renewable energy sector by 2020. Government's ambition is to ensure that as many of these jobs are based in the UK as possible. Annual revenues from marine energy for example could be as much as £900m by 2020. The consultation seeks views on how we can ensure the UK receives the maximum benefit from the rapid expansion of the renewable energy sector and will be completed by a revised manufacturing strategy which we hope to bring out in the autumn.

The Climate Change Bill reinforces our commitment to tackle climate change and the Energy White Paper 2007 sets out our broader commitments to save energy, develop cleaner energy supplies and to ensure secure supplies of energy. This consultation and the policies that will follow sit together with those on nuclear and carbon capture and storage (CCS) to facilitate a diverse mix of low carbon energy sources. Our position on nuclear is clear, and in support of our position as a world leader in CCS we will making further announcements on the UK CCS Demonstration project and publishing a consultation on the regulation of CCS next week. The consultation seeks views on the further regulatory steps we could take to prepare for deployment of CCS.

A copy of the *UK Renewable Energy Strategy Consultation* has been deposited in the libraries of both Houses and published on the BERR website.