

Department of Energy and Climate Change Draft Structural Reform Plan

27th July 2010

URN 10D/781

Structural Reform Plans

Structural Reform Plans are the key tool of the Coalition Government for making departments accountable for the implementation of the reforms set out in the Coalition Agreement. They replace the old, top-down systems of targets and central micromanagement.

The reforms set out in each department's SRP are designed to turn government on its head, taking power away from Whitehall and putting it into the hands of people and communities. Once these reforms are in place, people themselves will have the power to improve our country and our public services, through the mechanisms of local democratic accountability, competition, choice, and social action.

The reform plans set out in this document are consistent with and form part of the Department's contribution to the Spending Review. All departmental spending is subject to the Spending Review.

We have adopted a cautious view of the timescales for delivering all legislative measures due to the unpredictability of pressures on Parliamentary time.

Foreword by the Secretary of State

We are entering a critical period for energy policy. This country's reliance on imported fossil fuels is increasing, making us more vulnerable to volatile prices and shocks. At the same time, the dangers to our climate from burning fossil fuel become ever more apparent, and the need to build a secure, low carbon economy here in the UK becomes even more vital.

The low carbon revolution will be the third industrial revolution and, like the previous two, it will be entrepreneurs, the private sector, local communities, individuals and businesses, scientists and engineers that drive the revolution forward, not government. For it to happen, however, industry needs stable policy and functioning markets. The role of government in this transformation is clear: to provide the policy framework and to act as a catalyst for private sector investment.

This is our plan to deliver the structural reforms necessary to meet the challenge. It details the ambitious action we will take to reduce demand and secure low carbon energy supplies in the UK, and with other countries to ensure they too act on climate change. These are demanding objectives which we need to meet whilst managing the UK's energy legacy safely and cost-effectively, and working on the international stage to secure our energy supplies.

This Structural Reform Plan concentrates on the specific actions which government is taking to galvanise change, and attaches a clear deadline to each. I hope that the actions set out below will help catalyse householders, businesses and private investors to join the task and deliver a UK energy system fit for the 21st century.

Rt Hon Chris Huhne, Secretary of State for Energy and Climate Change

Departmental Priorities

1. Save energy with the Green Deal and support vulnerable consumers

- Reduce energy use by households and businesses through the Green Deal, and help protect the fuel poor

2. Deliver secure energy on the way to a low carbon energy future

- Reform the energy market and work internationally to ensure the UK has a diverse, safe, secure and affordable energy system and incentivise low carbon investment and deployment

3. Drive ambitious action on climate change at home and abroad

- Work for international action to tackle climate change, and work with other government departments to ensure we meet UK carbon budgets efficiently and effectively

4. Manage our energy legacy responsibly and cost-effectively

- Ensure public safety and value for money in the way we manage our nuclear, coal and other energy liabilities

1. Save energy with the Green Deal and support vulnerable consumers (1 / 2)

Reduce energy use by households and businesses through the Green Deal, and help protect the fuel poor

ACTIONS	Start	End
1.1 Drive greater energy efficiency in households and businesses through the Green Deal		
i. Design Green Deal finance mechanism so that households and businesses can fund energy efficiency improvements from energy bills	Jul 2010	Nov 2010
ii. As part of the Green Deal, design a new energy company obligation to succeed the Carbon Emissions Reduction Target	Jul 2010	Nov 2010
iii. Introduce Energy Security and Green Economy Bill with powers to support Green Deal including the new energy company obligation	Dec 2010	
iv. Consult on secondary legislation to enable the Green Deal	Oct 2011	Dec 2011
v. Lay secondary legislation	Jan 2012	
1.2 Drive greater energy efficiency in central departments and the wider public sector		
i. Reduce central government's emissions by 10% in twelve months	May 2010	May 2011
a) Ask all departments to provide implementation plans	Jul 2010	
b) Ask all departments to have real-time energy displays at their head offices	Jul 2010	
ii. Agree ambition and incentive framework for wider public sector	Jul 2010	Jul 2011
1.3 Accelerate the roll out of smart meters, working closely with Ofgem		
i. Publish, with Ofgem, a smart metering Prospectus	Jul 2010	
MILESTONES		
A. Smart metering Prospectus published	Jul 2010	
B. 10% emissions reduction target implementation plans produced by each department	Jul 2010	
C. Headquarter real-time energy displays implemented by each department	Aug 2010	
D. Energy Security and Green Economy Bill introduced	Dec 2010	
E. Consultation on Green Deal secondary legislation complete	Dec 2011	

1. Save energy with the Green Deal and support vulnerable consumers (2/2)

Reduce energy use by households and businesses through the Green Deal, and help protect the fuel poor

ACTIONS

	<u>Start</u>	<u>End</u>
1.3 ii. Put framework in place to enable first installations of smart meters mandated under staged implementation arrangements	Jul 2010	Jul 2012
iii. Put framework in place to establish enduring regulatory arrangements including commencement of regulated Data Communications Company services	Jul 2010	Dec 2013

MILESTONES

F. Framework enabling first installations of smart meters in place	Jul 2012
G. Framework establishing regulatory arrangements for smart meters in place	Dec 2013

2. Deliver secure energy on the way to a low carbon energy future (1 / 2)

Reform the energy market and work internationally to ensure the UK has a diverse, safe, secure and affordable energy system and incentivise low carbon investment and deployment

ACTIONS	Start	End
2.1 Develop mechanisms to ensure security of gas and electricity supplies		
i. Announce steps to improve gas security in the first Annual Energy Statement	Jul 2010	
ii. Consult on proposed gas security mechanisms	Aug 2010	Oct 2010
iii. Include provisions on gas and electricity security in Energy Security and Green Economy Bill	Dec 2010	
2.2 Reform electricity market and review the role of Ofgem		
i. Announce electricity market review and Ofgem review in Energy Statement	Jul 2010	
ii. Consult on electricity market reform	Nov 2010	Jan 2011
iii. Publish electricity market White Paper and announce Ofgem Review findings	Apr 2011	
2.3 Support HMT on potential reforms to climate change levy to support the carbon price		
i. Provide HMT with analysis of different carbon prices and wider policy impacts, for autumn consultation	Jun 2010	Oct 2010
ii. Subject to consultation, bring forward relevant legislation in the Finance Bill 2011	Apr 2011	
2.4 Drive deployment of renewable energy across the UK		
i. Ask the Committee on Climate Change for advice on increasing the target for renewables in the UK	Jul 2010	
ii. Respond to advice given by the Committee on Climate Change	Mar 2011	
iii. Implement programme of support for renewable energy	Jul 2010	Apr 2013
MILESTONES		
A. Annual Energy Statement made to Parliament	Jul 2010	
B. Consultation on proposed gas security complete	Oct 2010	
C. Energy Security and Green Economy Bill introduced	Dec 2010	
D. Consultation on electricity market reform complete, incl. support for renewable energy	Jan 2011	

2. Deliver secure energy on the way to a low carbon energy future (2/2)

Reform the energy market and work internationally to ensure the UK has a diverse, safe, secure and affordable energy system and incentivise low carbon investment and deployment

ACTIONS		Start	End
2.4	iv. Work with CLG to allow communities that host renewable energy projects to keep the additional business rates they generate	Jul 2010	Apr 2011
2.5 Establish a Smart Grid			
	i. Design long-term smart grid policy to build on smart meters leading to informal consultation in the autumn	Jul 2010	Nov 2010
	ii. Develop a high level framework for common and open smart grid standards in conjunction with industry	Jul 2010	Dec 2010
2.6 Demonstrate Carbon Capture and Storage technology (CCS) and establish an Emissions Performance Standard to limit emissions from power stations			
	i. Agree the scope for CCS demonstration projects with HMT	Jul 2010	Oct 2010
	ii. Run process to identify further CCS projects for public sector investment	Nov 2010	Dec 2011
	iii. Consult on policy options for the Emissions Performance Standard	Nov 2010	Apr 2011
MILESTONES			
	E. Scope for CCS demonstration projects agreed	Oct 2010	
	F. Long term policy on the smart grid developed	Nov 2010	
	G. High level framework for the smart grid developed	Dec 2010	
	H. Further CCS projects identified for public sector investment	Dec 2011	

3. Drive ambitious action on climate change at home and abroad

Work for international action to tackle climate change, and work with other government departments to ensure we meet UK carbon budgets efficiently and effectively

ACTIONS	Start	End
3.1 Secure UK climate policy objectives within the EU		
i. Build support for the increase in the EU emissions reduction target to 30% by 2020	Jun 2010	Dec 2010
ii. Agree policy on benchmarking/free allocation and feed into interim EU decisions	Jun 2010	Dec 2010
iii. Drive efforts within the EU to amend ETS Directive to deliver full auctioning	Oct 2010	Dec 2015
3.2 Help developing countries take action by providing finance and technological support, including by making sure fast-start funding flows		
i. Design a new international Green Fund with international partners	Jun 2010	Dec 2011
ii. Use the Advisory Group on Climate Finance proposals (to raise \$100bn by 2020) to drive international agreement on innovative sources of finance for climate change	Nov 2010	Dec 2012
iii. Publish first report on the progress of fast-start funding	Nov 2010	
iv. Develop further detail on how fast start funding will be deployed	Nov 2010	Apr 2011
3.3 Ensure that the UK meets five-yearly statutory carbon budgets, with all departments contributing appropriately, and set budget for 4th budget period		
i. Publish government response to Committee on Climate Change progress report	Oct 2010	
ii. Undertake analytical work to prepare for setting 4 th carbon budget	Jan 2011	May 2011
iii. Set 4 th carbon budget in law, following affirmative resolution procedure in Parliament	Jun 2011	
iv. Publish policies and proposals to meet 4 th carbon budget	Oct 2011	
v. Publish report demonstrating the level of compliance with first carbon budget	May 2014	
MILESTONES		
A. Policy on benchmarking/free allocation agreed	Dec 2010	
B. Proposals by Advisory Group on Climate Finance published	Oct 2010	
C. First report on progress of fast-start funding published	Nov 2010	

4. Manage our energy legacy responsibly and cost-effectively

Ensure public safety and value for money in the way we manage our nuclear, coal and other energy liabilities

ACTIONS	Start	End
4.1 Work with Shareholder Executive to establish a new funding settlement for the Nuclear Decommissioning Authority (NDA) in Spending Review		
i. Complete NDA Public Value Programme	Jun 2010	
4.2 Work with the Shareholder Executive in sponsoring the NDA to deliver its mission cost-effectively		
i. Support NDA in strengthening capability, in delivery of competition programme, and in maximising value from operational assets	Jun 2010	May 2015
4.3 Develop and implement solutions for the long-term storage of high hazard waste, and resolve policy on plutonium		
i. Implement the EU Nuclear Safety Directive	Jun 2010	Jul 2011
ii. Take forward the future management of the UK's civil plutonium	Oct 2010	Mar 2011
4.4 Review environmental regulation of oil and gas exploration in the light of the Gulf of Mexico spill		
i. Conduct review	Jun 2010	Dec 2010
ii. Publish final conclusions	Mar 2011	
MILESTONES		
A. NDA Public Value Programme complete	Jun 2010	
B. Review of environmental regulations complete	Dec 2010	
C. Conclusions from environmental regulations review published	Mar 2011	