

# Business Plan 2012–2015

## Department of Energy and Climate Change

31 May 2012

### Annexes

The 2012 Business Plan, and its reporting through the No.10 website, have been streamlined to focus on the government’s structural reforms. These annexes contain information on cross–government priorities, additional reform actions and actions from the 2011 Business Plan that are now complete. The government will not report systematically on the No.10 website against the activities listed in these annexes, although overall progress will be reported through other publications such as the Annual Report and Accounts, the Budget and a progress report on sustainable development.

**Contents:**

Annex A:	<b>Cross–government priorities .....</b>	<b>2</b>
Annex B:	<b>Additional departmental actions .....</b>	<b>5</b>
Annex C:	<b>Completed structural reform actions .....</b>	<b>7</b>

# Annex A) Cross-government priorities

The government is committed to driving progress of a number of shared priorities across different departments. DECC is contributing to these priorities through the commitments listed below.

Where set out, numbers in brackets refer to the position of actions in the Structural Reform Plan section of the Business Plan.

## 1. Growth

- Explore options for reducing the impact of electricity costs arising as a result of Electricity Market Reform policies, including the Feed in Tariffs, on electricity intensive industries, where this significantly impacts their competitiveness (subject to value for money and state aid considerations)
- Work with industry to resolve radar interference issues including commencing an agreed joint programme of work in early 2012 with the Ministry of Defence and industry to develop mitigation solutions for defence radar which can resolve objections holding up wind farm deployment
- Work with Defra to establish a £15m Rural Community Renewable Energy Fund by October 2013, designed to help communities meet the upfront costs of developing renewable energy projects
- Work with Treasury to update on progress to deliver priority infrastructure projects and programmes by end the of 2012
- Unblock the infrastructure planning backlog by clearing planning cases within three months of a case becoming ready for a decision

## 2. Red Tape Challenge

- In line with the Red Tape Challenge, bring forward and then implement plans to reduce and reform the stock of regulations for which the Department has overall responsibility
  - Announce the results of the Energy Red Tape Challenge during summer 2012
  - Develop and finalise the Energy theme implementation plan, and start implementation
  - Consult on improvements to the EU Emissions Trading System by August 2012, in response to the Environment Red Tape Challenge theme

### **3. Civil Society Compact**

- Ensure compliance with the Civil Society Compact, including collaborative working with the civil society sector.

### **4. Sustainable development**

- The Department of Energy and Climate Change works to ensure the UK has a diverse, safe, secure and affordable energy system. It also drives ambitious action on climate change at home and abroad. DECC works to maximise the benefits of a low carbon energy future to society, the economy, the environment and future generations. It works to support the most vulnerable members of society in meeting the cost of energy bills. DECC also works with Defra and other government departments to mainstream sustainable development across government.
- DECC will:
  - Assess and manage environmental social and economic impacts and opportunities in its policy development and decision making
  - Implement the Department's plan to deliver on the Greening Government commitments, supplying quarterly information and contributing to an annual report on progress
  - Procure from small businesses with the aspiration that 25% of contracts should be awarded to small and medium enterprises
  - Monitor its progress, and that of its non-departmental public bodies that fall within the scope of the Greening Government commitments, and report the results in the departmental Annual Report and Accounts (1.4(i))
  - Review and revise its Carbon Management Plan for reducing DECC's greenhouse gas emissions by 25% by 2014/15 compared to 2009/10 (1.4(ii))
  - Develop plans for meeting the Greening Government commitments on waste and water in core DECC (1.4(iii))
  - Reduce greenhouse gas emissions from its own estate and operations by 25% compared to 2009/10 by March 2015 and meet other Greening Government commitments to reduce its impact on the environment (1.4(v))
- **Sustainable Development Indicators**
  - Total emissions of greenhouse gases from the UK

## **5. Efficiency**

- Ensure support for efficiency and reform, including efficiency measures to delivery savings and broader reforms to public services, including:
  - Establish process to award competitively procured contracts for centrally provided smart meter communications and data services (1.2(iii))
  - Consult on and bring into force interim cost control measures for the Renewable Heat Incentive, subject to Parliamentary approval (2.2(i))
  - Consult on and bring into force longer term non-domestic cost control measures, biomass sustainability, air quality standards and changes to the existing regulations from lessons learnt since the Renewable Heat Incentive scheme opened (2.2(ii))
  - Publish review of Feed in Tariffs for solar photovoltaic cost control and small-scale non-photovoltaic technology issues (2.2(v))
  - Award contract(s) for activities that reduce the risk and cost of Carbon Capture and Storage (2.4(ii))
- The Departmental Efficiency part of the Business Plan (in Section C) sets out operational spending, by category, as well as specific actions to improve operational efficiency in 2012/13

# Annex B) Additional departmental actions

This section contains additional significant actions that will be undertaken, but which are not considered to be major structural reforms for the purpose of the 2012 Business Plan.

The Department's objectives are in bold; the actions the Department will undertake are shown by the bullet points under each objective.

## **Drive ambitious action on climate change at home and abroad**

**Ensure the UK leads the way at home by meeting five-yearly statutory carbon budgets, with all departments contributing appropriately**

- Publish government response to the Committee on Climate Change's annual progress report every year
- Consider whether to include international aviation and shipping within Carbon Budgets and, subject to the final decision, lay a report or regulations before Parliament
- Publish the Annual Emissions Statement every year
- Publish report demonstrating the level of compliance with first carbon budget

**Help developing countries take action by providing finance and technological support, including by making sure fast-start funding flows**

- 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
- Encourage, through a range of initiatives, governments in designing and delivering low carbon development
- Publish final EU report on progress of fast-start funding with the Department for International Development and Treasury
- Establish the Capital Markets Climate Initiative to use private sector expertise to test new and innovative instruments for leveraging private finance to tackle climate change in developing countries
- Agree content of United Nations Framework Convention on Climate Change work programme on long term finance (New)
- Secure increasing consensus on potential sources of long term climate finance

- Complete the disbursement of £2.9bn of climate finance (with the Department for International Development, the Treasury and the Department for Environment, Food and Rural Affairs)

### **Manage our energy legacy responsibly and cost-effectively**

#### **Work with the Shareholder Executive in sponsoring the Nuclear Decommissioning Authority (NDA) to deliver its mission cost-effectively**

- First generation Magnox storage pond: skip handler gantry operational over the pond
- Complete the removal of fuel from the Chapelcross site
- Pile fuel cladding silo: complete crane and stand lift installation
- Complete the removal of fuel from the Sizewell A site
- Achieve major milestones on high hazard ponds and silos at Sellafield, including the installation of retrieval infrastructure in pond B30
- Put at least one Magnox station into effective care and maintenance

#### **Develop and implement solutions for the long-term management of higher activity radioactive waste through geological disposal (placing waste within engineered facilities deep inside a suitable rock formation) and develop policy on future management of the UK's civil plutonium**

- Agree approach across government for evaluating a local authority's 'decision to participate' in the next stage of the siting process for a geological disposal facility
- Plutonium Management – commence "Justification of Practice Involving Ionising Radiation" Regulations (2004) for the long term management of UK Plutonium

# Annex C) Completed structural reform actions

Completed actions from the 2011 Business Plan are shown below against each coalition priority.

## Save energy with the Green Deal and support vulnerable consumers

### Drive greater energy efficiency in households and businesses through the Green Deal

- Design Green Deal finance mechanism to: (a) help households and businesses fund energy efficiency improvements through savings on their energy bills, and (b) pass that charge onto a future bill-payer so that they only pay whilst enjoying the benefits
- As part of the Green Deal design provisions in primary legislation for a new obligation on energy companies to succeed the Carbon Emissions Reduction Target to support energy efficiency measures in households, with a particular focus on vulnerable low-income consumers and hard-to-treat homes
- Work with potential providers to facilitate early precursor offers to the Green Deal
- Introduce Energy Security and Green Economy Bill in Parliament to create powers to support the Green Deal, including the new Energy Company Obligation
- Develop accreditation process to ensure public confidence in Green Deal measures
- Consult on secondary legislation to enable the Green Deal, including the new obligation on energy companies
- DECC and the Department for Communities and Local Government to support the Greater Manchester Housing Retrofit Programme to deliver interim outcomes by May 2012, preparing the way for wide-scale take-up of the Green Deal in the social housing sector
- Work with the Department for Communities and Local Government to improve the framework surrounding Energy Performance Certificates (EPCs) – including content and format of the certificates and the skills and quality assurance of those carrying out the assessment – to support the Green Deal, and ensure the requirements are complied with
- Enable the Green Deal by developing, with the Department for Communities and Local Government, proposals for reviewing take-up and possible regulation of the private rented sector, providing access to Energy Performance Certificate (EPC) data

**Use energy better through rolling out smart electricity and gas meters across Britain**

- With Ofgem, publish and consult on a prospectus setting out detailed proposals for smart meter roll-out (including roll-out strategy, meter requirements, and data privacy and security arrangements)
- Analyse consultation responses and develop plan for subsequent phases of the programme

**Take action to support vulnerable households in meeting the cost of energy bills**

- Consult on the structure of a Social Price Support scheme to require energy companies to help vulnerable households with their bill costs
- Lay regulations on Social Price Support scheme before Parliament
- Consult on improvements to Warm Front eligibility criteria to target available support at the most vulnerable in the period before the introduction of Green Deal

**Drive greater energy efficiency across the DECC family**

- Reduce central government's emissions by 10% in 12 months
  - Monitor all departments' implementation plans on a monthly basis
  - Publish emissions data online, including real time energy use from central government building headquarters
  - Publish guidance on priority actions for all government departments to manage building energy use and report against departments' activities
- Agree a stretching and cost-effective level of ambition for longer-term reductions in government and public sector emissions, including potential targets and incentives

## **Deliver secure energy on the way to a low carbon energy future**

### **Reform the electricity market to ensure secure electricity supplies, affordable bills and the transition to low carbon generation**

- Publish gas market reform, via the Energy Security and Green Economy Bill, strengthening the market mechanism for ensuring that sufficient gas is available
- Consult on electricity market reforms, potentially including the following proposals:
  - Support for a carbon price to ensure that energy prices reflect their carbon content and encourage investment in low carbon generation
  - A mechanism to reduce revenue uncertainty for low carbon generation e.g. by establishing a full system of Feed in Tariffs
  - Introducing a new capacity mechanism, improving security of supply by incentivising or requiring sufficient capacity in the energy system
  - An Emissions Performance Standard for fossil fuel power stations that will prevent new coal power stations being built unless equipped with Carbon Capture and Storage
- Publish White Paper setting out reforms to the electricity market
- Review the role of Ofgem in delivering government's aims for independent regulation of the energy sector
- Work with Treasury on the reform of the Climate Change Levy to help support the carbon price, with legislation brought forward by Treasury in the Finance Bill 2011 as appropriate
- Submit energy National Policy Statements (making the case for new energy infrastructure) to Parliament for ratification
- Undertake work to improve the resilience of the energy system, including flood protection at key electricity sites, through the Energy Sector Resilience Plan

### **Drive deployment of renewable energy across the UK to ensure that at least 15% of UK energy comes from renewable sources by 2020**

- Respond to Committee on Climate Change recommendations on the role of renewables beyond 2020 and potential pathways to 2030
- Develop regulations for new Renewable Heat Incentive scheme to provide financial support for renewable heat, and lay before Parliament

## *Completed structural reform actions*

- Implement Phase 1 (industrial and commercial) of the Renewable Heat Incentive scheme alongside the Renewable Heat Premium Payment scheme for householders to provide financial support for renewable heat
- Contribute to the Local Government Resource review to deliver proposals for reform
- Work with the Department for Transport to address the role of Renewable Transport Fuel in the UK Renewables Roadmap
- Publish first major review of Feed in Tariffs for small scale renewable energy; consult and implement changes

### **Facilitate the world's first new nuclear development without public subsidy by 2019**

- Seek Parliamentary approval of regulatory justification decision on whether the economic, social and other benefits of new radioactive practices (such as nuclear power stations) outweigh potential detriment to health
- Complete Order and Regulations for financing of waste and decommissioning associated with new nuclear build
- Finalise the framework that will ensure that new nuclear operators have arrangements in place to meet the full costs of decommissioning and their full share of waste management costs through publication of statutory Funded Decommissioning Guidance and a pricing methodology for government taking ownership of the operator's waste
- Set arrangements for the independent assessment of the safety, security and environmental impact of new reactor designs

### **Support delivery of smarter electricity networks to ensure they can adapt to changes in electricity supply and demand**

- Work with industry to develop a framework for smart grid standards
- As part of the Electricity Market White Paper, set out a strategy for future electricity networks to increase efficiency and reliability of the network; enable flexible demand management and the use of electric vehicles; and support integration of more local and wind-powered generation

### **Set in place reforms to the electricity grid to ensure sufficient capacity and access to connect new forms of energy generation**

- Design National Policy Statements with clear and effective guidance on onshore grid infrastructure to enable network development to take place in an environmentally sustainable and timely manner

### **Work to ensure that international action supports the UK's low carbon development and energy security objectives**

- Support the European Commission to publish an energy roadmap to 2050 which sets out scenarios for how the power industry can be decarbonised and maximise member states' support
- Agree EU legislation on transparency and integrity of wholesale energy markets

*Completed structural reform actions*

- Support action-orientated Commission proposals stemming from the Energy Efficiency Plan in areas where the EU can add value to the domestic effort e.g. progress developing dynamic product and labelling standards
- Participate in Carbon Sequestration Leadership Forum with 25 other countries to drive forward progress on Carbon Capture and Storage technology
- Agree action plan for cooperation with Norway on oil and gas, Carbon Capture and Storage and renewables
- Seek clear national action plans to reduce inefficient fossil fuel subsidies at G20 summit in Seoul
- Agree new energy charter to improve oil price stability at the International Energy Forum
- Re-prioritise the work of the International Energy Agency at the ministerial meeting to increase focus on low carbon technologies and non-members
- Launch new energy dialogues with China and Brazil
- Secure multi-country and business commitments on overcoming the barriers to deployment of Carbon Capture and Storage at the Clean Energy Ministerial to be held in Abu Dhabi
- UK hosts Clean Energy Ministerial, securing further progress on practical collaborations on key low carbon technologies

## **Drive ambitious action on climate change at home and abroad**

**Ensure the UK leads the way at home by meeting five-yearly statutory carbon budgets, with all departments contributing appropriately, and set budget for fourth budget period**

- Publish government response to Committee on Climate Change progress report
- Undertake analytical work to prepare for setting fourth carbon budget
- Set fourth carbon budget in law, following affirmative resolution procedure in Parliament
- Publish policies and proposals to meet fourth carbon budget
- Publish a strategic framework for the decarbonisation of heat supply in buildings and industry

**Work with the department for Business, Innovation and Skills (BIS) to establish a Green Investment Bank to support private investment in clean energy and green technologies**

- Proposals for a Green Investment Bank published by BIS

**Secure UK climate change policy objectives and encourage high ambition at EU level**

- Build support for the increase in the EU emissions reduction target to 30% by 2020
- Agree policy on benchmarking/free allocation of carbon emission allowances and feed into interim EU decisions
- Agree an Energy Strategy 2020, which includes a framework for investment in low carbon infrastructure within the EU

**Help developing countries take action by providing finance and technological support, including by making sure fast-start funding flows**

- Design a new international Green Fund with international partners
- Publish first EU report on the progress of fast-start funding
- Publish the second EU report on progress of fast-start funding with Department for International Development and Treasury
- Develop further detail on how UK fast-start funding will be deployed
- Host Capital Markets Climate Initiative event to engage private sector on barriers to low carbon climate resilient investment
- Publish International Climate Finance Plan

### *Completed structural reform actions*

- Agree an action plan with China's National Development and Reform Commission to implement the UK/Chinese Memorandum of Understanding on Low Carbon Co-operation (signed January 2011), taking forward a three-year programme of collaboration in three Chinese low carbon pilot cities and provinces
- Ministerial visit to India as part of continued co-operation on low carbon growth, trade and investment
- Support, with Department for International Development, the Government of India in its work to improve industrial energy efficiency, including through the Perform Achieve Trade (PAT) scheme and building of capacity to enable Indian industry to take full advantage of the scheme

### **Drive progress towards an ambitious global deal on reducing carbon emissions including through international negotiations at the UN Framework Convention on Climate Change**

- Launch the REDD+ partnership on international forestry
- Work through the EU at the UN Framework Convention on Climate Change in Cancun (COP 16) to agree a balanced package of decisions that incorporates existing developed and developing country commitments, agree approaches to reporting emissions and activities to reduce them, and which builds momentum towards a global deal
- Secure continued commitment to ambitious action on international climate change via the G8 summit
- Work through G20 to reconfirm commitments to low carbon growth, provision of climate finance and reduction of fossil fuel subsidies

## **Manage our energy legacy responsibly and cost-effectively**

**Work with the Shareholder Executive in sponsoring the Nuclear Decommissioning Authority (NDA) to deliver its mission cost-effectively**

- Complete the competition for the management of the Dounreay site

**Develop and implement solutions for the long-term management of higher activity radioactive waste through geological disposal (placing waste within engineered facilities deep inside a suitable rock formation) and develop policy on future management of UK's civil plutonium**

- Implement the EU Nuclear Safety Directive
- Take forward the future management of the UK's civil plutonium

**Further improve the security of civil nuclear sites and materials**

- Complete risk assessment of safety and security at civil nuclear sites
- Develop UK-led Nuclear Fuel Assurance proposal to International Atomic Energy Agency (IAEA) Board

**Review environmental regulation of oil and gas exploration in the light of the Gulf of Mexico spill**

- Conduct review
- Publish final conclusions