

Annex D

Major events in the Energy Industry

2012

Energy Policy

A new Energy Bill was announced in the Queen's speech in May 2012. The purpose of the Bill is to reform the electricity market to enable large-scale investment in low-carbon generation capacity in the UK and deliver security of supply, in a cost-effective way.

The main elements of the Bill are:

- Introducing a system of low-carbon generation revenue support (a feed-in tariff with Contracts for Difference of FiT-CfD). The FiT-CfD would provide more certainty of revenues for low-carbon generation and make investment in clean energy more attractive.
- Introduction of an Emissions Performance Standard (EPS) to provide a regulatory backstop to prevent construction of new coal plants which emit more than 450g/kWh i.e. the most carbon-intensive form of electricity generation.
- Introducing a capacity mechanism to ensure security of supply, ensuring there is sufficient reliable and diverse capacity to meet demand.
- Creating an independent, industry financed statutory regulator, the Office for Nuclear Regulation.
- Enabling the sale of a Ministry of Defence asset, the Government Pipeline and Storage System (GPSS).
- Introducing a Strategy and Policy Statement which would set out the Government's strategic priorities for the energy sector in Great Britain, describe the roles and responsibilities of bodies who implement or are affected by GB energy policy and describe policy outcomes which are to be achieved by the regulator and the Secretary of State when regulating the sector.

Carbon Capture and Storage (CCS)

In April 2012, the Government launched a new £1bn competition for CCS. At the same time a road map was published setting out the steps that the Government is talking to develop the industry.

Electricity

In May 2012, the Government gave consent to Vattenfall for the Pen Y Cymoedd project, a 299MW wind farm between Neath and Aberdare in South Wales. Made up of 76 turbines, it will have the highest generating capacity of any onshore wind farm in England and Wales, generating enough electricity to power up to 206,000 homes a year.

In March 2012, the Government gave consent to E.ON Climate and Renewables for a new biomass power station at Royal Portbury Dock in the Port of Bristol, North Somerset. The 150MW power station will be able to power up to 160,000 homes.

In February 2012, the world's oldest operating nuclear power station, Oldbury, near Bristol, finally stopped producing electricity, after 44 years of safe generation. Since it opened in 1967, Oldbury's twin reactors have generated 137.5 TWh of electricity, enough to power one million homes for over 20 years.

Feed in Tariffs

At the start of April 2012, changes were made to the feed in tariffs for solar installations. This followed a consultation process and subsequent legal challenges.

2012 (continued) **Fuel Poverty**

An independent report, by Professor John Hills of the London School of Economics, was published in March 2012, which advised the government how it could best tackle the problem of fuel poverty. Professor Hills started his research in March 2011 and looked at the definition of fuel poverty, targets, and the effectiveness of different policy interventions. Recommendations included in the report are:

- Professor Hills is clear that fuel poverty is currently measured in a way that is both flawed and unhelpful;
- Professor Hills has proposed a new way to define fuel poverty, separating the extent of the issue (the number of people affected) from its depth (how badly people are affected);

Professor Hills also shows how the impact of Government policies can be assessed against this new proposed definition, showing the positive impact current Government policies are having on tackling fuel poverty.

Green Deal

The secondary legislation underpinning the Green Deal and Energy Company Obligation has been laid in Parliament and is expected to be on the statute books before summer recess. Alongside this, DECC is publishing supporting guidance for participants in the Green Deal, such as a Code of Practice.

The legislation will begin to take effect over the summer, with the Energy Company Obligation in operation from October 2012. DECC has confirmed the Green Deal will be introduced through a controlled approach from October with full national systems testing to ensure consumer quality standards are embedded from the start.

Oil and Gas

In May 2012, Total announced that the gas leak from the Elgin platform that started on the 25th March 2012 had been stopped. A dynamic kill operation successfully used heavy mud to stem the flow of gas from the gas well.

In May 2012, the Government announced that the latest North Sea licensing round for oil and gas drilling has broken all previous records for the number of applications received by the Government. A total of 224 applications were submitted for the 27th Licensing Round covering 418 blocks of the UK Continental Shelf. It is the largest number since offshore licensing began in 1964 and is 37 more than the previous high total received in the last licensing round.

In May 2012, an agreement was reached that averted the threat of a national fuel strike. In March the threat of strike action resulted in panic-buying at some forecourts, leading to a number running out of fuel.

In March 2012, the Government gave BP consent to drill the deepwater North Uist well, northwest of the Shetland Islands.

Renewable Heat

In March 2012 the Government announced further support for the domestic sector under a second phase of the Renewable Heat Premium Payment Scheme (RHPP).

Smart Meters

In April 2012, the Government published its responses to consultations on the licence conditions and technical specifications for the roll-out of gas and electricity smart metering equipment, and on licence conditions for a code of practice for the installation of smart meters. At the same time, it published consultations on a consumer engagement strategy, data access and privacy, the Smart Energy Code, and elements of the regulatory framework for the Data and Communications Company. It also published its conclusions relating to the Smart Metering Equipment Technical Specifications and notified these to the European Commission, as required under the Technical Standards Directive.

Carbon Capture and Storage

At a meeting in April 2011 in the United Arab Emirates, Energy Ministers from around the world agreed to proposals to help speed up the global deployment of carbon capture and storage. The proposals include:

- Advance policies that address the financial gap and risks associated with early-mover carbon capture and storage (CCS) projects;
- Identify and advance appropriate funding mechanisms to support the demonstration of large-scale CCS projects in developing economies;
- Advance the development of legal and regulatory frameworks for CCS;
- Promote the importance to global CCS deployment of ratifying key international marine treaty amendments;
- Support and encourage the development of best practice knowledge-sharing from early mover projects, in particular those with public funding;
- Review key gaps in storage data coverage and knowledge including capacity assessment; and
- Recognise the potential of CCS for industrial emission sources and review demonstration opportunities.

Climate Change

The United Nations climate conference in Durban took place from 28 November to the 11 December 2011. In the end, the talks resulted in:

- the adoption of a roadmap – the ‘Durban Platform’ – to a global legally binding agreement applicable to all countries.
- recognition that there is a global gap in ambition between existing emissions reduction pledges for the period to 2020 and the minimum necessary to stay below a global temperature increase of 2°C.
- agreement to adopt, next year, the second commitment period of the Kyoto Protocol.
- Operationalisation of the Green Climate Fund to support mitigation and adaptation policies and activities in developing countries, following a successful process over the last year of designing its structure and operation.
- establishment of a work programme to look at sources of long-term finance for developing countries (including, but not limited to, the Green Climate Fund), with the aim of mobilising at least \$100 billion per year by 2020.

2011 (continued)

In December 2011, the Government published the Carbon Plan, which sets out plans to meet the fourth carbon budget and which shows how doing so puts the UK on a plausible pathway to 2050. The Plan sets out plans to halve emissions (from 1990) in the fourth carbon budget period of 2022 to 2027 by:

- insulating all cavity walls and lofts, where practicable, and up to 1.5 million solid wall insulations by 2020.
- insulating a further 1-3.7 million solid walls by 2030.
- completing 100,000 low carbon heat installations by 2020, and up to 8.6 million by 2030 as natural gas heating is phased out by 2050.
- building between 40 and 70 GW of low-carbon electricity capacity by 2030, on the path to 90 and 140 GW in 2050.
- reducing average new car emissions from 144gCO₂/km to between 50 and 70g CO₂/km in 2030, on the path to decarbonising road transport by 2050.

A fourth carbon budget of 1950 MtCO₂e for the period that will span from 2023 to 2027, putting the UK on course to cut emissions by at least 80% by 2050, was announced by the Government in May 2011. The carbon budget will place the British economy at the leading edge of a new global industrial transformation, and ensure low carbon energy security and decarbonisation is achieved at least cost to the consumer.

Electricity

In December 2011, Tilbury B, a 1,062MW coal fired plant was converted to a 742MW biomass plant, to become the largest biomass burning power generating facility in the world.

In December 2011, the Government gave consent to Dalkia for a new waste wood biomass power station in Yorkshire. The 53MW power station at the former RAF airfield at Pollington will be fuelled by 360,000 tonnes of waste wood per annum, powering around 55,000 homes per year.

In October 2011, the government published a consultation on feed in tariffs, detailing a number of proposals.

In October 2011, the Government gave approval for two new power stations in Yorkshire that will generate enough energy to power almost two million homes. The plants are Ferrybridge, a 108 MW Multifuel (biomass and energy from waste) power plant in Wakefield, and Thorpe Marsh, a 1,500 MW Combined Cycle Gas Turbine power plant in North Doncaster.

In September 2011, the Government gave approval to Anglesey Aluminium Metal Renewables to construct a biomass fuelled power station at Penrhos Works, Holyhead, Anglesey. When operational the plant will generate 299 MW of electricity, enough to power approximately 300,000 homes – equivalent to around a quarter of the homes in Wales.

In August 2011, the Government gave approval for InterGen's proposals to construct a new 900MW gas power plant at the London Gateway Logistics Park, Coryton, Essex. The plant will consist of up to two CCGT generating units, each around 450MW in capacity.

In August 2011, the Government gave approval for the construction of two new biomass stations in Yorkshire and North Lincolnshire, which combined will produce enough electricity to meet the needs of over a million homes. A 299MW biomass-fuelled power station will be constructed on land at the existing 4000MW Drax Power Station site in Selby, North Yorkshire, and a 299MW biomass-fuelled power station will be built at South Killingholme near Immingham.

2011 (continued) In March 2011, the Government gave approval for RWE npower to build a 2400 megawatt gas power plant on the site of the former Willington A and B power stations in South Derbyshire.

In February 2011, the Government gave approval for SSE to build a gas-fired power station near Port Talbot. The Abernedd Combined Cycle Gas Turbine Plant will be built at the Baglan Bay Energy Park, on the former site of a chemicals facility.

In January 2011, the Government gave approval for ScottishPower to construct a new 1,000 megawatt gas-fired power station near Hoo St Werburgh in Kent, adjacent to the existing Damhead Creek 800 MW gas-fired power station.

Emissions Trading

In January 2011, 4.4 million allowances were auctioned in the sixteenth auction as part of phase II of the EU ETS. In 2011, the UK plans to auction a total of 30.7 million allowances.

Energy Policy

A consultation on the Green Deal was published in November 2011 as part of the Energy and Climate Change Secretary's Annual Energy Statement to Parliament. £14 billion worth of private sector investment in home energy improvements over the next decade will help insulate households from rising global energy prices and create thousands of jobs in the British insulation and construction sector. The Green Deal framework will be launched from October 2012.

In July 2011, the Government published the Electricity Market Reform White Paper which sets out key measures to attract investment, reduce the impact on consumer bills, and create a secure mix of electricity sources including gas, new nuclear, renewables and carbon capture and storage. The Renewables Roadmap published alongside the White Paper outlines a plan of action to accelerate renewable energy deployment – to meet the target of 15% of all energy by 2020 – while driving down costs.

The Government published its finalised Energy National Policy Statements (NPSs) in June 2011 in order for them to be debated in Parliament. The Energy NPSs provide a clear framework for decision making and set out the need for a surge of investment in new energy sources, including 33GW of new renewable energy capacity.

Ofgem announced in March 2011 new rules that mean energy suppliers must give consumers at least 30 days advance notice before putting up their prices. The changes come into effect on 28 April 2011.

Measures designed to hasten the speed and scale of investment in low carbon energy projects as well as changes to oil and gas taxes were announced by the Chancellor of the Exchequer in the March 2011 Budget. These include:

- Green Investment Bank – the initial capitalisation of the Bank will be £3 billion and it will begin operation in 2012/13.
- Carbon price support – the Government is to introduce a floor to the carbon price for electricity generation from April 2013, this will start at around £16 per tonne of carbon dioxide and move to a target price of £30 per tonne in 2020.
- Oil and gas taxes – the rate of the supplementary charge levied on profits from UK oil and gas production will increase to 32 per cent from midnight on 24 March 2011.

In March 2011, the Energy Bill was introduced into the House of Commons with its First Reading. The Second Reading was heard on 10 May with Committee sessions being held during June 2011.

2011 (continued) In March 2011, following a Call for Evidence, the Government revised aspects of the 2050 Calculator. Major changes include:

- Adding four new sectors to the 2050 Calculator, including the option to fit carbon capture and storage technology to gas-fired power plants;
- Adding three additional scenarios for international shipping emissions;
- Amending some of the boundaries of the choices, for example reflecting a higher capacity for the offshore wind level 4;
- Improving the five-day balancing 'stress test' and adding a short, sharp one-day stress test.

The world's first financial incentive of its kind to revolutionise the way heat is generated and used in buildings was launched by the Government in November 2011. The Renewable Heat Incentive (RHI) will support emerging technologies and businesses in the UK, strengthening security of supply by reducing dependence on fossil fuel heating and emissions.

Nuclear

The Nuclear National Policy Statement, published in June 2011, listed eight sites across the country, Bradwell, Hartlepool, Heysham, Hinkley Point, Oldbury, Sellafield, Sizewell, and Wylfa, as suitable for new nuclear power stations by 2025.

Oil and Gas

In October 2011, the Government gave consent to BP and its partners Shell, ConocoPhillips and Chevron for their £4.5 billion Clair Ridge development west of the Shetland Islands. The Clair Ridge project has the capability to produce an estimated 640 million barrels of oil and is planned to come on stream in 2016, extending the production life of the greater Clair area to the year 2050.

In June 2011 the UK joined its partners in the International Energy Agency (IEA) in releasing oil stocks to the market. A total of 60 million barrels of oil were made available for purchase, with the UK contributing some three million barrels. The release of stocks will help prevent short-term supply disruptions leading to volatile oil prices that could damage the economy. At the end of June 2011 Brent crude oil prices stood at \$112 a barrel.

In January 2011 Brent crude oil prices topped \$100 a barrel for the first time since October 2008 following concerns about political unrest in Egypt; prices rose to over \$125 a barrel in April, the highest level for over two years, following continued unrest in oil producing nations in North Africa and the Middle East.

Renewables

In August 2011, the Government launched a £3 million scheme to help install eco-heaters in the homes of social housing tenants. Heating equipment including biomass boilers, solar hot water panels and heat pumps will be available under the new scheme. Registered Providers of social housing, such as local authorities and social housing associations, will be able to bid for a share of the £3 million, part of the £15 million Renewable Heat Premium Payment budget, to make home heating improvements to tenants' homes.

The outcome of the Government's fast track review on Feed-in Tariff (FIT) levels of support for large scale solar and anaerobic digestion installations was announced in June 2011. New tariffs for large scale and all stand-alone solar and farm-scale anaerobic digestion will start from 1st August 2011 for new installations, whilst money will be protected for householders, small businesses and communities and a range of technologies ensuring scheme longevity.

2011 (continued) In February 2011, the Government gave permission for the construction of a 230MW wind farm off the coast of Humberside. The Humber Gateway wind farm will generate enough electricity to power up to around 150,000 homes.

Smart Meters

The Government published its plans for the national rollout of smart meters in March 2011. 53 million smart meters in 30 million homes and businesses will be installed across Great Britain, with an estimated net benefit to the nation of £7.3 billion over the next twenty years. The mass rollout will start in 2014, and will be completed in 2019.

Carbon Capture and Storage

Funding was awarded by the Government in March 2010 to E.ON and Scottish Power for design and development studies as part of the competition to build one of the world's first commercial scale carbon capture and storage demonstration plants. The funding will support Front End Engineering and Design studies, which will enable the companies to further their designs for the projects at Kingsnorth and Longannet respectively.

Carbon Emissions Reduction Target

The Government announced in June 2010 that the CERT target will be extended from March 2011 until December 2012 as well as placing new obligations on energy companies to include:

- 68% of energy suppliers' work will now have to be met through professionally installed loft, cavity and solid wall insulation. With DIY insulation added, more than 80% of the scheme will be focused on insulation. Previously just 60% was met through professional and DIY work;
- 15% of homes helped will be the lowest income households more at risk of fuel poverty;
- Energy companies will now be stopped from promoting compact fluorescent lamps in order to prioritise insulation, further to the total ban on light bulb mail-outs.

The changes to CERT will mean some 3.5 million more homes across Great Britain are likely to benefit from insulation, building substantially on the 2.5 million homes treated under the scheme since April 2008.

Climate Change

The United Nations Climate Change conference took place in Cancun, Mexico in November/December 2010. Key outcomes from the agreements at the conference are:

- Objective: agreed to peak emissions and an overall 2 degree target to limit temperature rise.
- Emissions: bringing details of what developed and developing countries are doing to tackle climate change, promised in Copenhagen, into the UN system so they can be assessed.
- MRV: agreed a system so we know how countries are living up to their promises to take action on emissions
- Long-term finance: established the Green Climate Fund and will start to get it ready to help developing countries go low carbon and adapt to climate impacts.
- Deforestation: agreed to slow, halt and reverse destruction of trees and agree the rules for delivering it and for monitoring progress.
- Technology/Adaptation: set up the mechanisms to help developing countries access low carbon technology, and adapt to climate change.

In April 2010, the Government launched an incentive scheme, Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES), which aims to save public and private sector organisations around £1billion per year by 2020 through cost effective energy efficiency measures that are not yet being taken up.

2010 (continued) **Electricity**

In December 2010 the Government launched consultations on fundamental reforms to the electricity market to ensure the UK can meet its climate goals and have a secure, affordable supply of electricity in the long term. The key proposals include:

- Four reforms to provide long-term certainty for electricity investors.
- A new market to have built-in level playing field for low carbon .
- Rules for existing investments protected.
- Long term impact on household electricity bills lower than under the current market.

In November 2010, the Government gave approval for the construction of a 900 MW Combined Cycle Gas Turbine (CCGT) power station at West Marsh Road, Spalding, Lincolnshire.

The Government gave consent, in April 2010, for the construction of a 1,520 MW Combined Cycle Gas Turbine (CCGT) power plant in Carrington, Greater Manchester.

Emissions Trading

In January 2010, 4.9 million allowances were auctioned in the eighth auction as part of phase II of the EU ETS. In 2010, the UK plans to auction a total of 35.8 million allowances.

Energy Policy

In December 2010 the Energy Bill 2010, announced in the Queen's Speech in May 2010, was published. The Bill has three principal objectives: tackling barriers to investment in energy efficiency; enhancing energy security; and enabling investment in low carbon energy supplies.

In October 2010 it was announced that the Department of Energy and Climate Change will, over the course of the Spending Review period (2011-2015), reduce resource spending by 18% in real terms, and increase capital spending by 41% in real terms. The Department's administration budget will be reduced by 33%.

In the first ever Annual Energy Statement to Parliament in July 2010, the Energy and Climate Change Secretary set out 32 actions being taken to accelerate the transformation of the energy system and wider economy in 4 key areas:

- Saving energy through the Green Deal and supporting vulnerable consumers
- Delivering secure energy on the way to a low carbon energy future
- Managing the UK energy legacy responsibly and cost-effectively
- Driving ambitious action on climate change at home and abroad

Published alongside the Statement was a groundbreaking '2050' analysis, which included 6 illustrative 'pathways' showing that meeting the target of an 80% cut in emissions by 2050 is ambitious but achievable, and compatible with maintaining security of energy supplies. An online '2050 Calculator' was also launched, enabling the public to explore the trade-offs inherent in designing the future secure, low carbon energy system and wider economy.

2010 (continued) Major low carbon components of the Budget announced by the Chancellor in June 2010 include:

- An assessment of how the energy tax framework can provide the right incentives for investment, alongside wider market reforms.
- Detailed proposals on the creation of a Green Investment Bank, following the Spending Review, to help the UK meet the low-carbon investment challenge.
- Establishing a Green Deal for households through legislation in the Energy Security and Green Economy Bill, to help individuals invest in home energy efficiency improvements that can pay for themselves from the savings in energy bills.
- Making the tax system fairer by examining options for the design of a fair fuel stabiliser; considering the case for introducing a fuel duty discount in remote rural areas; and exploring changes to the aviation tax system.

The Energy Bill received Royal Assent in April 2010, becoming the Energy Act 2010. The main elements of the new Act are:

- Carbon capture and storage (CCS) – delivering a new financial incentive to bring forward four commercial scale demonstration projects on coal-fired power stations and to support the retrofit of additional CCS capacity to those projects should it be required at a later date.
- Mandatory social price support – creating a framework to mandate energy companies to provide support to the fuel poor, including powers to give greater guidance and direction on the types of households eligible for future support and the type of support they should be given.
- Clarifying Ofgem’s remit – making it clear that Ofgem must: include the reduction of carbon emissions and the delivery of secure energy supplies in their assessment of the interests of consumers, and step in proactively to protect consumers as well as considering longer term actions to promote competition.
- Tackling market power exploitation – giving Ofgem additional powers to tackle market exploitation where companies might take advantage of constraints in the electricity transmission grid.

2010 (continued) Major low carbon components of the Budget announced by the Chancellor in March 2010 include:

- A new Green Investment Bank for Low Carbon Development to assist the finance challenge confronting infrastructure projects in the UK.
- An offshore wind infrastructure competition for up to £60m of funds to develop sites close to ports that will support manufacturing for the offshore wind industry.
- Publication of the initial findings of the Energy Market Assessment, narrowing down the options for market reform to incentivise the necessary investment over the next few decades and to ensure the consumer gets the best deal possible in the long term.
- Government and the financial services industry will undertake detailed work through a joint forum to develop Pay As You Save arrangements. This will enable millions of households to finance the high upfront costs of installations from the savings they make on their energy bills.
- A consultation on proposals to change the way in which electricity from biomass is supported to improve investor certainty and ensure sustainability.
- Government intends to opt nitrous oxide gases from nitric acid production into the EU ETS from 2011.

The Government launched in January 2010 a national scheme to upgrade household heating systems to cut carbon, save money on fuel bills and sustain work for the heating industry. Up to 125,000 households in England with working "G-rated" boilers can apply through the Energy Saving Trust for a voucher which will entitle them to £400 off the price of a new, modern "A-rated" boiler or a renewable heating system like a biomass boiler or a heat pump.

Oil and Gas

In October 2010 the Government issued a gas storage licence for ENI's proposed major new gas storage facility at the Deborah field, under the Southern North Sea near the Bacton terminal, if established the facility will become the first large scale UK depleted offshore field to be used as a gas storage facility in 27 years.

In September 2010, the Government gave approval for WINGAS Storage to convert its Saltfleetby onshore gas field into an underground gas storage facility. As a result the UK's gas storage capacity is set to rise by 15 per cent with Saltfleetby in Lincolnshire, the UK's largest onshore gas field, providing between 700 million to 800 million cubic metres of new gas storage capacity.

In June 2010, the Government approved the development of the Bacchus oil and gas field located in the Central North Sea, which has estimated reserves of 18 million barrels of oil equivalent.

In June 2010 the Government announced record levels of interest in new developments in the North Sea. 356 blocks were applied for in the latest licensing round, the largest number of blocks applied for since the first licensing round was launched in 1964.

2010 (continued) In April 2010, South Hook, Europe's largest Liquefied Natural Gas (LNG) Terminal, at Milford Haven in South West Wales, successfully completed the build and commissioning of phase 2 and is now complete. The terminal has a total processing capacity of 15.6 million tonnes per annum of LNG and is capable of delivering up to 21 billion cubic metres per annum of gas into the National Transmission System (NTS).

The Government gave consent, in March 2010, for Total and Dong Energy to develop the Laggan and Tormore gas fields, which lie in 600 metres of water and in one of the most hostile environments in the UK. These will be the first gas fields to be developed in UK waters at this depth and will produce more than 1 trillion cubic feet of gas in the course of the field's life.

The Government issued, in February 2010, the first licence under the Energy Act 2008 to encourage the construction of more gas storage which could see the UK's gas storage capacity increase by 30%. The Gateway Project, located in the east Irish Sea, will create twenty new salt caverns each the size of the Albert Hall.

A new round of offshore licensing was announced in January 2010. The 26th offshore licensing round will allow for oil and gas exploration in UK waters; for the first time since 1998, this round offers blocks in all areas of the UK seas for new licensing. The blocks offered include a number relinquished under the Government and industry's 'Fallow Initiative', which stimulates activity on blocks where there had been no significant activity for three years.

Renewables

In November 2010, the Government gave approval for a 56MW onshore wind farm on the Ray Estate near Kirkwhelpington, Northumberland.

The world's largest wind farm off the south coast of England was officially opened in September 2010. The Thanet Offshore Windfarm will generate enough electricity to power 200,000 homes. It increases the UK's output by a third and means that the UK now generates more offshore wind than the rest of the world put together.

In April 2010, the Government launched the Feed in tariffs (FITs) scheme, which will allow individuals, organisations or businesses in England, Wales and Scotland who install low carbon electricity generation to be paid for any electricity they generate themselves from low carbon sources and benefit from a cheaper electricity bill.

The Government, in March 2010, gave approval to the construction of a new 100 MW power plant fuelled by biomass at Bristol Port, Avonmouth.

In January 2010 The Crown Estate, owner of the UK's coastal seabeds, granted rights to energy companies to develop wind energy. The announcement has the potential to see an additional 32GW of wind generation into the UK grid, on top of 8GW from previous rounds, and will mean an extra 6,400 turbines.

Carbon Capture and Storage

Alongside the six draft National Policy Statements laid before Parliament in November 2009 by the Secretary of State for Energy and Climate Change, a Framework for the Development of Clean Coal was also published which confirmed that with immediate effect, to gain development consent all new coal plant will have to show that they will demonstrate the full CCS chain (capture, transport and storage) from the outset on at least 300 MW net of their total output.

The Secretary of State for Energy and Climate Change announced in a statement to Parliament in April 2009 a new generation of coal-fired power stations equipped for carbon capture and storage, of which up to four such plants could be built by 2020.

Carbon Emissions Reduction Target

The Government announced in June 2009 that more help to save energy will be available to householders due to an increase in the Carbon Emissions Reduction Target (CERT) scheme and the introduction of a new Community Energy Saving Programme (CESP). Together, CERT and CESP will see extra investment by energy companies under the two schemes, taking the total to an estimated £3.5 billion in energy efficiency improvements by the end of 2012.

The Government published in February 2009 a consultation on proposals to amend the Carbon Emissions Reduction Target (CERT) through the Electricity and Gas (Carbon Emissions Reduction) Order 2008. This supports a key element of the Prime Minister's £1 billion Home Energy Saving Programme announced in September 2008.

Climate Change

The move towards global and immediate action on climate change was agreed as part of the Copenhagen Accord, in December 2009. The Accord – agreed by major developed and developing country leaders and backed by a large majority of countries - will reinforce the need for strong domestic action on climate change across the world. The Accord includes international backing for an overall limit of 2 degrees on global warming; agreement that all countries need to take action on climate change; and the provision of immediate and longer term financial help to those countries most at risk of climate change.

The Secretary of State for Energy and Climate Change announced in September 2009 new measures to help householders save money and energy following the launch of 10:10 – a new independent campaign to cut carbon emissions by 10% in 2010.

In September 2009, the Government launched a search for local authorities, charities and social enterprises to take up the challenge to help communities fight climate change. Communities will be able to apply for a share of a £10 million fund as part of the Low Carbon Communities Challenge to build on existing low carbon schemes.

2009 (continued) The Chancellor announced the UK's first three 'carbon budgets' alongside his fiscal Budget in April 2009, and also set out new measures designed to help low carbon industries capitalise on the opportunities presented by the UK's legally binding target to cut greenhouse gas emissions to at least 80% below 1990 levels by 2050. The new measures include:

- Legally binding carbon budgets for the first three five-year periods 2008-2012, 2013-2017 and 2018-2022.
- A revised target to reduce emissions to at least 34% below 1990 emissions by 2018-22.
- Aim to meet the carbon budgets announced through domestic action alone, and consistent with this, setting a zero limit in the non- traded sector on offsetting through international credits for the first budget period.
- Commitment to tighten the budget after Copenhagen in December 2009, once we have a global climate change agreement.

Electricity

A new 95 Mega Watt power plant capable of turning 600,000 tonnes of waste each year into electricity and heat, to be built at Ince in Cheshire, was approved by the Government in August 2009. The waste, which would have otherwise gone to landfill, will instead be used to generate electricity to power a new Resource Recovery Park. Excess electricity will also be exported to the National Grid.

The Government granted consent in February 2009 for three new power stations capable of providing approximately four million homes with electricity to be constructed at Pembroke, King's Lynn and Hatfield. The new gas fired power stations will produce around 4 gigawatts of power.

Emissions Trading

The Government announced in February 2009 that it intends to auction four million allowances in its second auction as part of the EU ETS. In 2009 the UK plans to auction a total of 25 million allowances.

Energy Policy

A new Energy Bill was introduced into Parliament in November 2009 by the Government. New powers and clearer legislation will provide support for energy consumers, giving a greater amount of help to the poorest and most vulnerable, as well as introducing a new financial incentive for carbon capture and storage.

Faster and fairer planning decisions on new energy infrastructure were laid before Parliament in November 2009 by the Secretary of State for Energy and Climate Change. Six draft National Policy Statements - one overarching and one for each of the following areas: fossil fuels, nuclear, renewables, transmission networks and oil and gas pipelines – will guide planning decisions on energy infrastructure from March 2010 by the Infrastructure Planning Commission.

2009 (continued) A comprehensive plan to move the UK onto a permanent low carbon footing and to maximise economic opportunities, growth and jobs was published by the Government in July 2009. The UK Low Carbon Transition Plan sets out how by 2020:

- More than 1.2 million people will be in green jobs;
- 7 million homes will have benefited from whole house makeovers, and more than 1.5 million households will be supported to produce their own clean energy;
- 40% of electricity will be from low carbon sources, from renewables, nuclear and clean coal;
- The UK will be importing half the amount of gas that we otherwise would;
- The average new car will emit 40% less carbon than now.

In February 2009 the Department of Energy and Climate Change, together with the Department for Communities and Local Government, published three consultation documents: the Heat and Energy Saving Strategy (HESS), the Carbon Emissions Reduction Target uplift (CERT) and the Community Energy Saving Programme (CESP). These home energy efficiency measures make up a comprehensive package to save people energy and reduce emissions from now through to 2020 and beyond.

Fuel Poverty

The Government published its UK Fuel Poverty Strategy Seventh Annual Progress Report in October 2009, reporting on the progress made since the last report, highlighting key areas for attention during the coming year, and setting out the fuel poverty figures for 2007. Alongside the report the Government set out four next steps to help low income homes deal with high energy bills:

- Action to help the poorest insulate their homes.
- Provision of street by street help in low income neighbourhoods.
- Action on prices for the most vulnerable.
- Tougher regulation to make sure all consumers get a fair deal.

In April 2009, following a review, it was announced that the Warm Front Scheme had been changed to improve the quality of service for its customers. Households connected to the gas grid are now eligible for grants of up to £3500, up from £2700, while those in areas off the gas grid can apply for funding up to £6000, an increase of £2000.

Nuclear

In the draft nuclear National Policy Statement laid before Parliament in November 2009 by the Secretary of State for Energy and Climate Change, the Government confirmed that all of the sites, with the exception of Dungeness, nominated by industry have been assessed as potentially suitable for new nuclear deployment by the end of 2025.

A third potential new nuclear operator entered the UK market in October 2009 taking total proposals for new nuclear power stations up to 16 gigawatts of electricity. A consortium of GDF SUEZ SA, Iberdrola SA and Scottish and Southern Energy Plc have secured an option to purchase land for the development of a new nuclear power station at Sellafield.

A list of eleven sites that could be potential hosts to new nuclear power stations in the UK, and be operational by 2025, was published in April 2009.

2009 (continued) In January 2009, EDF's £12.5 billion purchase of British Energy Group plc (British Energy) was completed. The purchase is a significant step in EDF's plans to build four new nuclear reactors in the UK. The sale, which includes the 36 per cent stake in the company held by the Government's Nuclear Liabilities Fund, raises approximately £4.4 billion towards the cost of decommissioning British Energy's existing nuclear power stations.

Oil and Gas

In May 2009 the South Hook LNG re-gasification terminal, the largest LNG terminal in Europe, was officially opened, following earlier arrival of commissioning cargoes.

A proposed new licensing scheme which will open up an area of up to 200 miles around the UK for offshore gas storage and importation projects was announced in a consultation document published in February 2009. The scheme will create a regulatory environment that will encourage investment in new gas supply infrastructure, including gas storage.

Renewables

At an Energy Council meeting in Brussels in December 2009, the Government signed an agreement along with Germany, France, Belgium, the Netherlands, Luxembourg, Denmark, Sweden and Ireland to develop an integrated offshore wind grid in the North and Irish Seas.

In November 2009 the Government gave approval for the construction of a 80MW energy from waste and biomass fuelled power station at Storey's Bar Gate in Peterborough.

In August 2009 the Government gave approval for a new 60 Mega Watt power plant, fuelled by biomass and waste, to be built on a disused site at Tilbury Docks in Essex.

The Secretary of State for Energy and Climate Change announced in July 2009 that three UK-based banks, RBS, Lloyds and BNP Paribas Fortis, will start work with the European Investment Bank (EIB) on a programme to lend up to £1 billion to onshore wind farms over the next 3 years. The cash will help get building started for onshore wind projects which have been hit by the credit crunch, particularly small and mid-sized wind farms.

In July 2009 the Government published, alongside the UK Low Carbon Transition Plan, the Renewable Energy Strategy which maps out how the UK will deliver its target of getting 15% of all energy (electricity, heat and transport) from renewables by 2020.

In May 2009 E.ON, Dong and Masdar announced the go ahead of the first phase of the London Array offshore windfarm. The 1 Gigawatt London Array, to be situated off Kent and Essex, will be the biggest offshore wind farm in the world, generating enough electricity to power a quarter of Greater London's homes, with the first power feeding into the grid by 2012.

Smart Meters

In December 2009 the Government confirmed that smart meters will be rolled out through energy suppliers to every home by the end of 2020, alongside a paper setting out the case for developing smart grids in the UK.

All homes in Britain will have smart meters installed by 2020 under plans published by the Government in May 2009. Smart meters enable meter readings to be taken remotely and together with a display device give householders real time information on their energy use. The new information smart meters provide will help consumers to see what energy they are using and how to save money on their bills.

Energy Bill

The Energy Bill was published in January 2008 in tandem with the Nuclear White Paper. The purpose of the Bill, alongside the Climate Change and Planning Bills, is to update and strengthen the legislative framework so that it is appropriate for today's energy market and fit for the challenges to be faced on climate change and security of supply. Key elements of the bill are:

- Create a regulatory framework to enable private sector investment in Carbon Capture and Storage projects while also protecting the environment.
- Ensure adequate funding provision be made by potential developers of new nuclear power stations to pay the full costs of decommissioning and their full share of waste management costs.
- Strengthen and simplify the regulatory framework to give investors more clarity and certainty, reducing costs and risks for private sector investment in offshore gas supply projects such as offshore storage and liquefied natural gas infrastructure.
- Strengthen the Renewables Obligation (RO) to drive greater and more rapid development of renewables in the UK. Proposals include amending the RO to give more support to new and emerging technologies such as offshore wind, wave and tidal by banding the Obligation.
- Measures to be brought forward for offshore renewables decommissioning, ensuring that companies have adequate decommissioning funds so that both the tax payer and the offshore environment is protected.

Carbon Capture and Storage

The Government published, in June 2008, a consultation on the legislative framework for Carbon Capture and Storage (CCS), including carbon capture readiness. The consultation sets out the Government's views on CCS as a 'high potential' carbon abatement technology and asks for views on what more can be done to promote, develop and deploy CCS in the UK, EU and globally.

Climate Change

In December 2008 the Committee on Climate Change published its inaugural report 'Building a low-carbon economy - the UK's contribution to tackling climate change'. The report contained the Committees recommendations on the 2050 emissions reduction target and advised on the levels of the UK's first three legally binding carbon budgets for 2008-2022.

In December 2008 at a meeting of the European Council EU leaders agreed measures to deliver a unilateral commitment to reduce greenhouse gas emissions by 20% by 2020 compared to 1990 levels.

In October 2008, the Government committed the UK to cutting greenhouse gas emissions by 80% on 1990 levels by 2050 as a major contribution to a global deal on climate change.

Coal

Tower Colliery, the last deep mine in Wales, closed in January 2008, thirteen years after its workforce rescued it from the pit closure programme.

Electricity

The Government announced, in January 2008, its support for electricity generated from geopressure through the Renewables Obligation scheme, which provides companies using green energy sources with assistance in competing with fossil fuel generators.

2008 (continued) **Emissions Trading**

In November 2008, the Government held Europe's first carbon allowance auction in Phase II (2008-2012) of the EU Emissions Trading Scheme (EU ETS). Four million allowances were sold at a total value of £54m excluding VAT.

The proposals announced by the European Commission in January 2008 for tackling climate change and delivering a low carbon economy in Europe put the EU Emissions Trading Scheme at the heart of EU climate policy, including establishing an EU wide central cap on emissions covered by the EU ETS to 2020 and beyond.

Energy Policy

The second Energy Markets Outlook report, published in December 2008, set out the risks and drivers associated with future security of energy supply, including scenarios for future security of supply of electricity and gas and the full range of other fuels.

Machinery of Government changes announced in October 2008 resulted in Energy Policy being transferred from the Department for Business, Enterprise and Regulatory Reform, and Climate Change Policy being transferred from the Department for Environment, Food and Rural Affairs to the new Department of Energy and Climate Change.

EU Energy Review

The European Commission's proposals for tackling climate change and delivering a low carbon economy in Europe were announced in January 2008. The proposals implement the decisions agreed by EU Heads of State and Government at the 2007 Spring European Council. For the UK, the Commission's proposals include:

- a reduction of 16 per cent in UK greenhouse gas emissions from sectors not covered by the EU ETS by 2020 from 2005 levels;
- for 15 per cent of the energy consumed in the UK to come from renewable sources by 2020;
- for 10 per cent of road transport fuels to come from renewable sources, subject to them being produced in a sustainable way.

Fuel Poverty

Help for people struggling with high home energy bills was announced in November 2008 by the Chancellor in the Pre-Budget Report, with additional Warm Front funding of £100 million, and £50 million of existing allocation to be spent a year sooner than planned.

The Government published its UK Fuel Poverty Strategy Sixth Annual Progress Report in October 2008, reporting on the progress made since the last report, highlighting key areas for attention during the coming year, and setting out the fuel poverty figures for 2006. As part of the progress report, annexes were also produced on methodology, detailed analyses of the fuel poor, fuel poverty monitoring and company schemes and case studies.

In September 2008, the Government announced a new package of measures to help people with their gas and electricity bills. The launch of the Home Energy Saving Programme will offer energy efficiency and other measures to households in deprived areas and will be funded by energy suppliers and electricity generators. Suppliers will also fund a 20% expansion in CERT, and increase their collective spend on social programmes to £225million over the next three years.

A raft of new measures was agreed at a Fuel Poverty Summit hosted by OFGEM in May 2008 to help vulnerable consumers access the best available tariffs.

In April 2008, the six largest energy suppliers individually agreed to spend an extra £225m over three years to help those squeezed by rising fuel bills, which could lift 100,000 households out of fuel poverty.

2008 (continued) **Heat**

In January 2008, following a commitment in the 2007 Energy White Paper, BERR along with Defra and DCLG published the Heat Call for Evidence. The Call for Evidence will play an important part in developing a strategy for heat given that half of all UK's CO₂ emissions arise from the use of heat.

Nuclear

In September 2008 EDF announced that its proposed takeover offer for British Energy included substantial investment to build four new reactors, two each at Hinckley Point and Sizewell, with a total generating capacity of 6.4GW of electricity.

The Government published in July 2008 its Strategic Siting Assessment of where new nuclear power stations could safely and securely be built across England and Wales.

In June 2008 the Secretary of State for Business, Enterprise and Regulatory Reform announced the creation of a Nuclear Development Forum to provide regular discussions between Government and industry, and an Office of Nuclear Development to provide a single focus within Government on the development of new nuclear.

The Government's response to its nuclear consultation, in the form of a White Paper, was published alongside the Energy Bill in January 2008. Following the consultation, the Government has now decided that it is in the public interest to allow private sector energy companies to invest in new nuclear power stations. Building of new nuclear power stations is expected to commence in 2013-2014 with operation commencing in 2017-2020.

Oil and Gas

171 new licences were offered, in November 2008, to 100 companies covering 257 blocks of the North Sea as part of the 25th offshore oil and gas licensing round.

Industrial action by oil workers at the Grangemouth refinery in April 2008 led to the temporary closure of the Forties oil pipeline, which provides 30% of the UK's daily oil output from the North Sea.

Brent crude oil prices topped \$100 a barrel for the first time in March 2008, and rose to over \$140 a barrel in June and July.

A record breaking 2,297 blocks or part blocks in UK waters were offered, in February 2008, for exploration in the 25th Offshore Oil and Gas Licensing Round.

Renewables

In December 2008 at a meeting of the European Council EU leaders agreed a commitment to 20% of all energy to come from renewable sources by 2020 (including a 10% target for the use of renewable fuels in transport).

The Chancellor announced in the Pre-Budget Report in November 2008 the extension of the Renewables Obligation from its current end date of 2027 to at least 2037. The extension will ensure that investors can plan with confidence for the future so that over the next decade the market will continue to deliver the renewables projects that are needed to achieve the 2020 target.

In October 2008 the UK overtook Denmark to become the world's number one for wind farms built offshore, with 597MW fully constructed. The achievement was made possible after building work finished at Centrica's Lynn and Inner Dowsing wind farms near Skegness. Offshore wind farms now have the potential to power the equivalent of around 300,000 UK homes.

The Government published, in June 2008, a consultation on the UK Renewable Energy Strategy. The consultation puts forward a package of measures to drive up the use and deployment of renewable energy as part of the UK goal to tackle climate change and ensure security of supply and to enable the UK to meet its EU 2020 target.

2008 (continued) The Crown Estate launched, in June 2008, its round 3 leasing programme for the delivery of up to 25 GW (gigawatts) of new offshore windfarm sites by 2020. The announcement was made at the BWEA (British Wind Energy Association) conference in central London.

The UK's offshore renewable industry will benefit from measures, jointly announced by the Government and Ofgem in January 2008, to connect at least £2 billion of investment to the national grid. The investment will support the delivery of the necessary infrastructure to connect 8 gigawatts of planned offshore wind generation.

Retail Prices

The Chancellor announced in November 2008 in the Pre-Budget Report that Ofgem will publish quarterly reports over the coming year showing the relationship between wholesale prices, estimated hedged wholesale costs and average retail prices for gas and electricity. This will make it clearer when companies are passing the benefits of downward price changes through to their consumers and will ensure transparency over future price changes. The first report was published in February 2009.

Energy Policy

The Planning Reform Bill was published in November 2007. The Bill will make the planning system quicker, more transparent and easier for the public to become involved in, and will reform the planning system for major infrastructure projects including climate change and energy security. At a local level, the Bill and other reforms published at the same time will allow people to install small-scale renewable power sources such as solar panels and wind turbines without planning permission if they do not affect their neighbours.

The Energy Markets Outlook report, published in October 2007, provides energy market information on security of supply, looking forward over a fifteen-year time span. The report is intended to help develop a shared understanding of the longer-term outlook for energy supply and demand, and to help understand emerging risks that could affect security of supply.

Machinery of Government changes announced in June 2007 resulted in Energy Policy being transferred from the former Department of Trade and Industry to the new Department for Business, Enterprise and Regulatory Reform.

Energy White paper

The 2007 Energy White Paper (EWP), 'Meeting the Energy Challenge' was published in May 2007. The paper reiterated the Government's commitment to the four key energy policy goals. The EWP, in response to the twin challenges of climate change and security of supply announced a strategy to deliver energy security and accelerate the transition to a low carbon economy. The key elements of the strategy are:

- Establish an international framework to tackle climate change;
- Provide legally binding carbon targets for the whole UK economy, progressively reducing emissions;
- Make further progress in achieving fully competitive and transparent international markets;
- Encourage more energy saving through better information, incentives and regulations;
- Provide more support for low carbon technologies; and
- Ensure the right conditions for investment, including improvements to the planning system.

Carbon Capture and Storage

The launch of the competition to build one of the world's first commercial-scale carbon capture and storage (CCS) plants was among the measures set out in a major speech on climate change given by the Prime Minister at a WWF event in November 2007.

The 2007 Energy White Paper provided further details of the competition to develop the UK's first commercial-scale demonstration of a Carbon Capture and Storage (CCS) Plant. The CCS plant will be due to be operational early in the next decade. This competition was announced in the 2007 Budget.

Carbon Reduction Commitment

The 2007 Energy White Paper outlined plans to introduce a mandatory cap and trade scheme, a Carbon Reduction Commitment, which will apply to the largest non-energy intensive public and private sector organisations.

2007 (continued) **Climate Change**

The Climate Change Bill was published in November 2007. The Bill sets out a framework that will put Britain on the path to become a low-carbon economy, with clear, legally binding targets to reduce carbon dioxide emissions by at least 60% by 2050, and 26 to 32% by 2020, against 1990 levels. As well as setting clear targets, the Bill provides a pathway to achieve those reductions through a system of five-year carbon budgets set fifteen years ahead.

The Government published the Energy Measures Report, Addressing Climate Change and Fuel Poverty – energy measures information for Local Government, in September 2007. The report sets out the steps that local authorities can take to: improve energy efficiency; increase the levels of microgeneration and low carbon technologies; reduce greenhouse gas emissions; and reduce the number of households living in fuel poverty.

In September 2007 the location of the Energy Technologies Institute (ETI), backed by up to £550m of Government investment announced by the Chancellor in the 2006 Budget, was announced. The ETI, based in Loughborough, will bring more focus, ambition and collaboration to the UK's energy, science and engineering drive. It will have a potential budget of over £1bn.

The Government's blueprint for tackling climate change was published in March 2007. The draft bill, the first of its kind in any country, and accompanying strategy, set out a framework for moving the UK to a low-carbon economy.

Electricity

In May 2007 National Grid and TenneT Holding announced plans to construct a 260km, 1,000 MW electricity interconnector "BritNed" between the Netherlands and the UK. It is expected to be commissioned by late 2010.

Severe weather caused widespread damage to power lines in England and Wales, with supplies to over 1.2m customers being affected in January 2007. The Electricity industry performed well in restoring supply, with over 90% of interrupted supplies back on within 24 hours.

Emissions Trading

The Government published the National Allocation Plan (NAP) in March 2007; the plan includes a list of the allowances to be allocated to individual installations covered by the EU ETS for each year in the second phase.

EU Energy Review

The Council of the European Union at its Spring meeting in March 2007 called on Member States and EU institutions to pursue actions to develop a sustainable integrated European climate and energy policy. These include increasing security of supply; ensuring the competitiveness of European economies and the availability of affordable energy, and promoting environmental sustainability and combating climate change.

The European Commission published its Strategic Energy Review in January 2007, outlining proposals for the development of the internal energy market in the European Union. These include the greater unbundling of energy network businesses from other activities, more effective regulation and greater transparency.

Fuel Poverty

The Government published its UK Fuel Poverty Strategy Fifth Annual Progress Report in December 2007, reporting on the progress made since the last report, highlighting key areas for attention during the coming year, and setting out the fuel poverty figures for 2005. As part of the progress report, annexes were also produced on methodology, detailed analyses of the fuel poor, fuel poverty monitoring and company schemes and case studies.

2007 (continued) Measures worth £2.3bn over three years to tackle fuel poverty and home energy efficiency, the Carbon Emissions Reduction Target (CERT), were laid in Parliament in December 2007. The Government also announced an £800m three year grant for the Warm Front Scheme, which could assist 400,000 of the poorest households in England.

The 2007 Energy White Paper outlined a range of new policies which will see a further 200,000 households being taken out of fuel poverty by 2010. These included: providing a benefit entitlement check to all households that require one; enabling the sharing of benefit information; putting in place a cross-Government communications campaign in time for next winter, and encouraging energy suppliers to do more.

Nuclear

In May 2007 alongside the Energy White Paper a consultation on the role of nuclear power in a low carbon UK economy was launched. The consultation seeks views on whether the private sector should be allowed to build new nuclear power stations.

In February 2007 the High Court in a judicial review decided that the consultation process on new nuclear power that preceded the Energy Review Report had not been adequate. The Government then decided that a new consultation on nuclear power was required.

Oil and Gas

In October 2007 the Langeled pipeline to Easington in Yorkshire from the Ormen Lange field in Norway, became connected directly to the British gas network.

The May 2007 Energy White Paper announced legislation to allow the storage of natural gas under the seabed and unloading of Liquefied Natural Gas at sea.

A milestone was reached in March 2007 when three new fields were approved, taking the total number of offshore oil and gas developments in the North Sea's 40 years history to 350.

The Excelerate project, a world first 'liquid gas' shipment on Teesside, with enough power in one 20,000 tonne shipment to fuel 60,000 homes began operation in February 2007.

The very large Buzzard field, one of the largest oil discoveries to be developed in British waters in more than a decade, started production in January 2007.

Renewables

Harnessing the vast potential of the UK's island status entered a new phase in December 2007 when the Government announced proposals to open up its seas to up to 33GW (gigawatts) of offshore wind energy.

A major expansion of energy from renewable sources was among the measures set out in a major speech on climate change given by the Prime Minister at a WWF event in November 2007. It was announced that tidal lagoons and barrages below one gigawatt capacity will receive extra support through the Renewables Obligation, potentially benefiting lagoons proposed for Rhyl, Swansea Bay and elsewhere.

A new report, Essential role of renewables generation in achieving zero carbon homes, published in November 2007, from the Renewables Advisory Board (RAB) which advises Government on renewable energy issues, provided the first in depth analysis of the role of on site energy generation in the delivery of the Government's policy of ensuring that all new homes are zero carbon from 2016. Amongst its findings is the conclusion that the policy could drive a market for onsite renewable worth £2.3 billion a year from 2016.

2007 (continued) The May 2007 Energy White Paper announced legislation to band the Renewables Obligation to benefit offshore wind, wave, tidal and other emerging technologies.

The Government announced the development of the licensing regime for would be electricity transmission owners in the UK's pioneering offshore wind energy sector in March 2007. After a joint consultation the DTI decided in agreement with Ofgem that Britain's monopoly electricity transmission network owners will have the opportunity to compete against a wider range of transmission companies to build, own and maintain the links.

The opening of the Braes and Doune wind farm in February 2007 took the UK's wind generation capacity above 2 GW, making the UK one of only 8 countries in the world to have achieved this level.

Sustainable Energy Policy

The Fourth Annual Report on progress towards the 2003 Energy White Paper goals was published in May 2007, reviewing progress made over the last 12 months. Published as a supplement to the Fourth Annual Report, UK Energy Sector Indicators was also published in May 2007.

Sustainable Energy Policy

On 16th February 2006 the Government issued a consultation paper on carbon dioxide emissions projections for industrial sectors covered by the EU Emissions Trading Scheme. These projections are being used as an input to the development of the UK National Allocation Plan for Phase II of the scheme, informing the allocation of carbon dioxide allowances to installations in the 2008-12 period. The consultation closes on April 13th.

The Third Annual Report to the Energy White Paper was published in May 2006, reviewing progress made over the last 12 months towards the targets and strategy for energy policy until 2050. Published as a supplement to the Third Annual Report, Energy Sector Indicators 2006 was also published in May 2006.

Energy Review

The Energy Review Report "The Energy Challenge" detailing what needs to be done to stay on track to meeting the goals in the 2003 Energy White Paper was published in July 2006. The Report outlined proposals designed to reduce demand, secure a mix of clean, low-carbon sources, and streamline the planning process for energy projects.

The 12 week consultation period for the energy review ended on the 12 April 2006 with over 5,300 responses from individuals, businesses, academics and NGOs.

Climate Change

The Office of Climate Change (OCC) was established in October 2006. It is a shared resource across Government established with the aim of ensuring that analysis and policy work is consistent and supports the overall climate change strategy.

The Stern Review of economics of climate change was published in October 2006 and confirmed that climate change is real and is a problem that can only be solved by collective international action. The Review demonstrated that urgent action is needed to mitigate the effects of climate change and that the costs of global action to mitigate the most dangerous effects of climate change are significant but manageable, as long as action is taken multilaterally.

An ambitious programme to tackle climate change domestically and to secure agreement on action to reduce global greenhouse gas emissions was published by the Government on 28 March 2006. The Programme is expected to reduce the UK's emissions of greenhouse gases to 23-25 per cent below base year levels and reduce the UK's carbon dioxide emissions to 15-18 per cent below 1990 levels by 2010.

Fuel Poverty

The Government published its UK Fuel Poverty Strategy Fourth Annual Report in June 2006, reporting on the progress made since the last year's report, and setting out the fuel poverty figures for 2004. Also published were a series of annexes, setting out the detailed profile of the fuel poor, as well as outlining the many activities in which energy companies are involved to tackle fuel poverty and associated problems. In the report, we also responded to the recommendations made by The Fuel Poverty Advisory Group in its Third Annual Report, which was published in March 2006. The new Home Heat Helpline operated by the Energy Retail Association has been up and running since October 2005.

Emissions Trading

The UK's National Allocation Plan (NAP) for the second phase of the EU Emissions Trading Scheme (2008-2012) was accepted without change by the European Commission in December 2006.

2006 (continued) On 21st March 2006 the Government published 15 (independently produced) reports reviewing and revising methodologies for calculating the New Entrants' benchmarks for sectors covered by Phase II of the EU – Emission Trading Scheme. The benchmarks will form the basis for the calculation of New Entrant allocations of carbon dioxide allowances to installations in the 2008-2012 period and will therefore form an important part of the development of the UK National Allocation Plan for Phase II of the EU – Emissions Trading Scheme.

The draft Phase II National Allocation Plan was published for consultation, alongside the Climate Change Programme Review, on 28 March. The number of CO₂ allowances for Phase II will be set within a range representing a reduction of 3 to 8 MtC a year against projected business as usual emissions. The final decision on this should be made in June. The NAP also incorporate proposals on scope (some new sectors added in); allocation methodology; sector classification and new entrant policy.

Coal

British Gas owner Centrica announced in November 2006 that it wants to build the UK's first clean coal power plant, which could supply electricity to a million homes. The company has reached agreement with developer Progressive Energy to develop a station on Teesside, combining clean coal and carbon capture technology. Gasification technology will produce synthetic gas from coal, and the resulting carbon emissions would then be captured and stored. The Teesside plant would be the first coal-fired station since Drax was built in 1974. Centrica said it would have the fewest emissions of any fossil fuel power station in Britain.

UK Coal's Rossington colliery closed on 31 March 2006.

Oil and Gas

Market investment in new and enhanced UK gas infrastructure has continued with the completion of the Langeled pipeline in September 2006 and Balgzand-Bacton Line (BBL) pipeline in December 2006 allowing increased flows of Norwegian and Continental gas to the UK.

A milestone in the history of the UK's offshore oil and gas industry was reached with the start of drilling on the 10,000th well in the seabed around the British Isles in October 2006.

The UK is expected to be a net importer of oil and oil products in 2006, returning to being a net exporter in 2007 as a result of the very large Buzzard field that is due to commence production in the fourth quarter of 2006.

Electricity

Centrica announced in June 2006 that it would construct an 885 MW CCGT power station at Langage, Plymouth which is expected to be operational by 2008.

Renewables

Following the Energy Review, a two part consultation document was published in October 2006. Part 1 consulted on proposals to introduce changes to the Renewables Obligation and Part 2 was a statutory consultation on a small limited number of changes to the Renewables Obligation which came into effect from April 2007.

DTI announced development consent approval to two offshore windfarms, both in the Thames Estuary, in December 2006. London Array, at 1,000 megawatts, will be the largest offshore windfarm in the world when completed, while Thanet will be 300 megawatts.

The Renewables Obligation Order 2006 has been laid before Parliament. It will come into force on 1 April 2006.

A recent Carbon Trust report has concluded that wave and tidal could in time provide up to a fifth of UK's energy needs.

2006 (continued) Winter Energy Supply

In July 2006, the Government established the Business Energy Forum to ensure that sound preparations were made for winter. This is a high level group, jointly chaired by DTI and CBI and bringing together Ofgem, National Grid, energy suppliers and users and other key players in the energy industry. DTI also created a dedicated page on its website, to provide information and signposting on winter energy supply issues.

The second annual report to Parliament on the security of gas and electricity supplies in Great Britain as required under section 172 of the Energy Act 2004 was published in July 2006.

Energy Review

On 29 November 2005 The Prime Minister and Secretary of State for Trade and Industry Alan Johnson announced that asked Energy Minister Malcolm Wicks to lead a review of UK energy policy. The main scope of the review will include aspects of both energy supply and demand and will focus on policy measures to help us deliver our objectives beyond 2010. The Review will aim to ensure the UK is on track to meet the goals of the 2003 Energy White Paper in the medium and long term.

Sustainable Energy Policy

The Energy White Paper published in February 2003 set out the strategy for energy policy until 2050. A second annual report reviewing progress over the last 12 months and the way ahead was published in July 2005. Energy Sector Indicators 2005, a supplement to the Second Annual Report on the Energy White Paper was also published in July 2005.

Fuel Poverty

The Fuel Poverty Advisory Group published its Third Annual Report. Whilst welcoming progress made, as well as the enhancements to the Warm Front. Energy Ministers held a follow up event with the energy supply companies with a proposal to set up a new helpline; a central point of contact for fuel poverty referrals, developed by the energy companies. The new Home Heat Helpline operated by the Energy Retail Association was subsequently set up and started running in October 2005.

Emissions Trading

The EU Emissions trading scheme (ETS) commenced on 1 January. It is one of the policies being introduced across Europe to tackle emissions of carbon dioxide and other greenhouse gases and combat the serious threat of climate change. The first phase runs from 2005-2007 and the second phase will run from 2008-2012 to coincide with the first Kyoto Commitment Period. Further 5-year periods are expected subsequently.

The scheme works on a "Cap and Trade" basis. EU Member State governments are required to set an emission cap for all installations covered by the scheme. Each installation is then be allocated allowances for the particular commitment period in question. The number of allowances allocated to each installation for any given period, (the number of tradable allowances each installation will receive), will be set down in a document called the National Allocation Plan.

On 14 February the UK published revised provisional list of installation level allocations under the EU Emissions Trading Scheme, but on 12 April the European Commission formally rejected the British Government's request to increase the number of allowances for use in the first phase by 20 million tonnes, but the UK has lodged an appeal. Distribution of the 736 million tonnes of CO₂ allowances by Defra to eligible installations in the UK began in April 2005.

Coal

Ellington colliery ceased production in January 2005.

The Live Fast Track Offer Scheme for respiratory disease claimants, which will see around 80,000 miners offered optional risk payments where initial medical tests show very low levels of lung disease, went live on 28 February.

The cut-off date for the majority of live Vibration White Finger Services claimants passed on 31 March 2005. However, there were some agreed exceptions to this date – live claimants had until 6 months from the General Damages medical to claim and beneficiaries have up to 31 January 2006 to make claims on behalf of claimants who died before 31 March 2005.

2005 (continued) Oil and gas

February 2005 - BP's Clair field inaugurated. Clair was the largest undeveloped UKCS resource. BP and partners invested around £650 million in the project, which is expected to recover reserves of up to 300 million barrels of oil, with potential for a further 400 million barrels.

21 March 2005 - The UK and Netherlands Governments signed an interconnector treaty to allow the construction and operation of the BBL gas pipeline between Balgzand in the Netherlands to Bacton in the UK. This will provide a second direct link between the UK's gas transmission system and that of continental Europe. It is due to be operational from December 2006.

4 April 2005 – The UK and Norwegian Governments signed a new oil and gas co-operation treaty designed to remove the need for a separate treaty each time there is a new project involving cross-boundary development. In particular it will underpin the construction of the Norwegian Langeled gas pipeline (supplying up to 20 per cent of UK gas demand from Winter 2006/07) and will also cover the development of new trans-boundary fields and the use of host infrastructures for developments across the median line.

July 2005 – Imports of liquefied natural gas (LNG) commenced at the Isle of Grain import/storage facility.

6 September 2005 - A record 152 oil and gas production licences were offered to 99 companies under the 23rd Oil and Gas Licensing Round, the highest number since licensing began in 1964. The results, a vote of confidence in the future of oil and gas exploration in the UK, herald the entry of 24 new firms to the North Sea. The licences, covering 264 blocks, are broken down as follows: 70 Traditional licence offers, 38 more than in 2004, 6 Frontier licence offers, 1 less than in 2004, 76 Promote licence offers, 18 more than 2004.

November 2005 - Malcolm Wicks announced that 24 of the 54 "Promote" Licences issued in the 21st Round (2003) would continue. Recognising £90 million exploration investment, Mr. Wicks said "These results prove the innovative drive of the firms involved and the success of the promote licence concept, without which this acreage would not have been touched. With clear work commitments it's a great vote of confidence in the future of the North Sea."

8 November – The UK import capacity of the Bacton – Zeebrugge Interconnector was increased from 8.5bcm/y to 16.5bcm/y. A second phase enhancement, due to be completed by December 2006, is progressing to schedule and will bring the UK import capacity of the system to 23.5 bcm/y.

11 December 2005 – An explosion, said to be the largest incident of its kind in peacetime Europe, destroyed a large section of the Buncefield Oil Depot in Hemel Hempstead. In total 20 petrol tanks were involved in the fire, each said to contain three million gallons of fuel.

21 December 2005 - First gas began flowing from BP's Rhum field, the UK's largest undeveloped gas discovery. BP said, with the combination of a high-pressure, high-temperature gas reservoir developed using a long-distance subsea tieback, that Rhum was a world first. With development costs of £350 million, Rhum is expected to recover reserves of around 800 billion cubic feet of gas, with daily production likely to peak at around 300 million cubic feet. The gas, to come ashore at St Fergus, is expected to meet 2% of UK demand in 2006.

2006 – The UK continued to be a net exporter of oil and oil products in volume terms, but because of the differential in prices of oil and the various oil products, the UK was a net importer in value terms for the first time since the early 1980's.

2005 (continued) **Electricity**

On 1 April 2005, the British Electricity Trading and Transmission Arrangements (BETTA) took effect. BETTA has introduced a single wholesale electricity market across Britain by extending the England and Wales market arrangements to Scotland. This will push prices down for Scottish consumers, and will open up the market and increase competition. The legislation underpinning BETTA was delivered in the Energy Act 2004. Under BETTA, National Grid, who previously operated the transmission network in England and Wales, is now the System Operator for the whole GB network.

Coolkeeragh's new gas-fired power station replaced the Londonderry coal fired power station in March 2005.

In May 2005, E.ON UK announced that it had purchased the 392 MW Enfield Energy CCGT power station.

Nuclear

British Energy announced on 14 January that it had successfully completed the restructuring plan it announced in November 2002.

The Nuclear Decommissioning Authority was established on 1 April, following the transfer of assets and other property rights from BNFL and the signature of initial site Management and Operation contracts between NDA and BNFL/UKAEA.

Renewables

Malcolm Wicks announced at the British Wind Energy Annual Conference in Cardiff, that he was giving development consent to a 78 megawatts windfarm at Little Cheyne Court in Walland Marsh, Kent. The decision follows a public inquiry.

On 8 March 2005, the Energy Minister announced that the Government intended to exercise the power in section 185 of the Energy Act to adjust the level of transmission charges paid by renewable generators on the Scottish islands, and possibly the North of mainland Scotland, subject to consultation. A consultation will be launched in the summer of 2005.

The DTI has developed and will implement this year a "Wave and Tidal Stream Energy Demonstration Scheme" worth up to £42 million that will support the first larger-scale wave and tidal farms. This is funded under the £50 million 'Marine Renewables Deployment Fund' announced by the Secretary of State for Trade and Industry in August 2004.

The final conclusions and recommendations of the Eskdalemuir Working Group were accepted by the Ministry of Defence in full. Defence Estates removed all associated holding objections in place against the 1.6 GW of wind developments in the vicinity of the seismic array at Eskdalemuir.

Sustainable Energy Policy

DTI published the first annual report on implementation of the Energy White Paper on 26 April as part of a series of documents, all of which contribute to creating a low-carbon economy. These included the Government's Energy Efficiency Implementation Plan (Defra), the Combined Heat and Power strategy (Defra), a consultation paper about biofuels (DFT), and a range of statistical indicators to monitor progress towards the goals of the White Paper (DTI).

Energy Act

The Energy Act 2004 received Royal Assent on 22 July 2004. It will promote "cleaner, greener power" and competitive and reliable energy supplies for now and generations to come. It implements a range of commitments made in the Energy White Paper.

For the first time, one public body (the new Nuclear Decommissioning Authority), which published its draft Annual Plan for public consultation on 10 December 2004 will have complete responsibility for the decommissioning and clean-up of the UK's civil nuclear sites, and for the safe and effective management of our nuclear waste.

The Act also creates a single wholesale electricity market for Britain, the British Electricity Trading and Transmission Arrangements ("BETTA"). Provisions within the Act covering electricity and gas interconnectors implement a number of requirements in the EU's 2003 Gas and Electricity Directives and its Electricity Regulation.

Fuel Poverty

The Fuel Poverty Action Plan, which is a Government publication, was issued on 30 November 2004 and sets out how the Government intends to meet its first fuel poverty target for England – that of eradicating fuel poverty in vulnerable households.

Emissions Trading

On 27 October 2004, an announcement was made of the UK's intention to amend the National Allocation Plan for Phase 1 of the EU Emissions Trading Scheme (2005-07) to a higher number of allowances. This reflects finalisation of emission projections showing higher forecast emissions. The new proposed allocation represented a greater reduction against projections than previously indicated.

On 11 November 2004, the final Updated Energy Projections (UEP) informing the National Allocation Plan (NAP) for EU Emissions Trading Scheme (EUETS) were published on the DTI website. This paper presented the results of further revisions to the carbon emission projections that have taken place since May 2004.

Renewables

On 2 August 2004, the Secretary of State announced the new £50m Marine Research Development Fund. This is another step towards promoting renewable energy and complements support already given for other emerging technologies including wind, solar and biomass.

On 4 November 2004, the final terms of reference for the 2005/06 review of the Renewables Obligation (RO) were published. In a separate exercise, a statutory consultation exercise for proposed amendments to secure the Renewables Obligation was published on 8 September 2004.

Climate Change

On 8 December 2004 the consultation on the review of the UK Climate Change Programme was launched. The consultation highlights areas where the Government has identified opportunities further to reduce carbon emissions.

Coal

Hatfield colliery closed in January 2004. As part of the closure of the Selby complex Wistow mine closed in May 2004, Stillingfleet in September 2004 and Riccall in December 2004.

2004 (continued) Period 2 of the Coal Investment Aid scheme closed on 1 June 2004. 13 applications were received requesting £94.7 million of aid.

The Department reached the key milestone of £1 billion in British Coal Vibration White Finger compensation being paid in week commencing 19 July 2004.

Oil and gas

US oil firm Apache announced plans to spend around £137 million in 2004 on various projects in the Forties field in the North Sea. This included drilling more than 20 wells to gain a "substantial" increase in production.

The 22nd Offshore and 12th Onshore Oil and Gas Licensing Rounds were announced on 4 March 2004. The 22nd Round made available the largest number of offshore blocks since the 2nd Round in 1965. As well as continuing to include options for "promote" licences and traditional licences, the Round offered a further new form of licence, the "frontier" licence, for blocks in the Atlantic Margin, West of the Shetland Islands.

On 6 July 2004, DTI approved the 300th North Sea field development, Total's Glenelg field, with expected peak production of 30,000 barrels of oil equivalent a day.

On 28 July 2004, DTI approved the Saturn gas field development. Operator, ConocoPhillips, expected first gas in Q4 2005 at an initial rate of 74 million cubic feet a day, with a maximum daily rate of 169 million cubic feet in the following year. Produced gas will be transported via the Lincolnshire Offshore Gas Gathering System to the Theddlethorpe Terminal.

On 3 August 2004, production started from the Lundin-operated Broom field. Oil reserves were estimated to be 36 million barrels for the first phase, with further development opportunities in area currently being evaluated. Broom will also assist substantially in extending the Heather field life.

On 8 October 2004, the UK and Norwegian Governments agreed arrangements to allow the development of two new North Sea fields - Boa and Playfair.

The official launch of the 'Goldeneye' development took place on 11 November 2004. The £300m project, supported by co-venturers Shell, ExxonMobil, Paladin Resources and Centrica Energy, will provide around 3 per cent of the UK's gas.

Electricity

On 1 September 2004, the British Electricity and Trading Arrangements (BETTA) went "Active". This involved the Secretary of State using her powers in the Energy Act 2004 to change licence conditions so that trailing and testing of the new arrangements could begin, in preparation for BETTA going "Live" on 1 April 2005.

The findings of the investigation by DTI's Engineering Inspectorate into the major power failures in London on 28 August 2003 and in Birmingham on 5 September 2003 were communicated to the respective electricity companies in January 2004. Inspectors worked closely with the companies to ensure their recommendations were taken forward.

Scottish Power purchased Damhead Creek power station in June 2004 and became the sole owner of the Shoreham Power station in September 2004. Centrica purchased Killingholme power station in June 2004. In July 2004 Scottish and Southern Energy acquired the Ferrybridge C and Fiddlers Ferry power stations formerly owned by American Electric Power. Carron Energy re-opened the Fifoots Point power station in August 2004 and changed the name of the power station back to Uskmouth.

2004 (continued) Nuclear

The Secretary of State announced on 5 January 2004 that British Energy (BE) had completed the sale of its interest in its US joint venture, Amergen, in December 2003. All amounts outstanding under the Government's loan facility to BE have been paid off, but facility remained available to BE up to a maximum of £200 million.

At the end of February 2004 BNFL's Chapelcross nuclear power station closed.

Sustainable Energy Policy

The Sustainable Energy Policy Network (SEPN) website was launched in June 2003. SEPN represented a new way of working for government, ensuring the right communications and links are made across and beyond government to deliver the Energy White Paper.

Royal Assent for the Brian White Sustainable Energy Act was announced on Thursday 30 October 2003. The Act implements the DTI Energy White Paper commitment to provide statutory backing to regulatory impact assessments, including environmental impact assessments, undertaken by Ofgem for all significant new policies. It also provides the legal basis for accessing surplus funds from the Non-Fossil Fuels Obligation held by Ofgem.

Energy White Paper

On 24 February 2003 the Government published its Energy White Paper "Our energy future – creating a low carbon economy". The White Paper set out a new energy policy, designed to deal with the three major challenges that confront the UK's energy system: the challenge of climate change, the challenge of declining indigenous energy supplies, and the need to keep the UK's energy infrastructure up to date with changing technologies and needs.

To address these challenges, the White Paper set four new goals for energy policy: to put the United Kingdom on a path to cut carbon dioxide emissions by some 60 per cent by about 2050, with real progress by 2020; to maintain the reliability of energy supplies; to promote competitive energy markets in the UK and beyond, helping to raise the rate of sustainable economic growth and improve UK productivity; and to ensure that every home is adequately and affordably heated.

For the first time, the environment was put at the heart of Government's energy policy, causing energy efficiency and renewables to feature prominently in the White Paper, as the main ways of delivering carbon cuts.

Energy Markets

Proposals to complete the liberalisation of the electricity and gas markets across the EU were adopted on 15 June 2003. The DTI played a leading role in the Energy Council in ensuring the measures will produce a competitive and open market by 2007.

Fuel Poverty

On 4 March 2003, the Government published its first annual progress report on the UK Fuel poverty strategy. The Fuel Poverty Advisory Group also reported on this date for the first time.

Energy Efficiency

In the April 2003 Budget the Government noted that economic growth and social progress must be balanced with action to protect and improve the environment. One of the main areas in which the Government confirmed that it would be undertaking further consultation was on specific measures to encourage household energy efficiency, following on from an earlier consultation on the use of economic instruments to promote energy efficiency in the domestic sector.

Coal

Clipstone colliery closed in April 2003 and in June 2003 Betwys colliery announced closure. Output from the Selby complex began to decline prior to its proposed closure by June 2004.

Coal Investment Aid, with a budget of £60m was launched in June 2003. It is intended to create or safeguard jobs in socially and economically disadvantaged areas by encouraging coal producers to enter into commercially realistic projects that maintain access to coal reserves.

2003 (continued) **Oil and Gas**

In February 2003, to encourage a wider range of bids for offshore oil and gas exploration licences, the DTI enhanced the licensing system to include a new “promote” licence in the 21st Offshore Licensing Round. This new type of licence, offered at a tenth of the price of a traditional licence for the first 2 years of its term, was aimed at attracting smaller newcomers wishing to find oil and gas.

On 31 July 2003 the Energy Minister announced the results of the 21st Offshore Round, offering 88 new North Sea licences. The licences went to 62 companies, 27 being new entrants to the area. The awards underlined the success of the new “promote” licences, mentioned above.

In October 2003, the Energy Minister met with his Norwegian counterpart to sign an agreement on key principles that will be incorporated in a new Framework Treaty covering future cross-border oil and gas co-operation between the two countries. The Agreement opened the way for the construction of a large gas pipeline (Langeled) from Norwegian offshore infrastructure capable of delivering up to 20 per cent of the UK's current gas requirements from Winter 2006/7 and clarified the regulatory regime that would apply to a range to future cross-border projects.

In November, the Energy Minister gave approval to the giant Buzzard oil field. With an estimated 500 million barrels of oil to be recovered, and overall investment of £1.35 billion – the largest in the UK North Sea in the last decade, and equivalent to around a third of the industry total annual expenditure - Buzzard will make a significant contribution to the UK's oil production and to the economy.

Power cuts

On 14 August, a large area of the North East USA, including New York, and of Eastern Canada suffered cascading power cuts. Some 60 million people were affected within a matter of minutes as the system operators lost control of the networks, causing an uncontrolled series of power cuts.

On 28 August a power failure occurred affecting large parts of South London and parts of Kent. National Grid Transco redirected supplies via another circuit but at this time a separate fault occurred causing loss of supply to 410,000 customers. Power was restored to all customers in the space of 40 minutes.

Following power failures in London and the West Midlands, The Energy Minister asked the Engineering Inspectorate (EI) to carry out a detailed investigation of these faults, including a review of power supply arrangements for London Underground and Network Rail. In parallel with this, the EI worked on a joint investigation with Ofgem into these incidents.

Electricity

In January 2003, Powergen announced the closure at the end of March of two already partly mothballed coal-fired power stations that it had acquired from TXU in October 2002, namely Drakelow and High Marnham. International power also re-instated 250 MW at Deeside for winter 2003/04, and RWE Innogy leased Fifoots Point power station from its administrators to operate over the winter.

In May 2003, Centrica completed the acquisition of Lakeland Power's Roosecote Power Station (229 MW), which had suspended operations in November 2002. Centrica also purchased Barry Power station (250 MW) from AES in July. Scottish and Southern Energy bought the distribution network operator, Midland Electricity from Aquila Networks in July and also acquired 100 per cent of Medway power station (688 MW) in October.

Nuclear

At the end of March 2003 BNFL's Calder Hall nuclear power station closed.

2003 (continued) An agreement was signed in June 2003 allowing UK companies to start nuclear clean-up work to start in North West Russia.

During 2003 the Government and BNFL conducted a joint strategy review of the company. The review conclusions were announced in a written statement to the House of Commons on 11 December 2003. One of the key conclusions of the review was that a new BNFL parent company would be established in April 2005, the principal focus of which would be clean-up activities at UK sites. At the same time, a new group of subsidiary companies would be established which would have initial responsibility for managing clean-up and operations at BNFL's UK sites under transitional arrangements to be agreed with the Nuclear Decommissioning Authority (NDA).

On 24 June 2003, the DTI published the draft Nuclear Sites and Radioactive Substances Bill. The draft Bill set out provisions to establish the Nuclear Decommissioning Authority (NDA), as foreshadowed in the July 2002 White Paper, *Managing the Nuclear Legacy: A strategy for action*.

Renewables

Two rounds of Offshore Licensing took place in 2003, which brought forwards a large number of proposals. Capital grants of £59 million were given to six of the first round offshore wind projects, with a total capacity of around 530 MW. The awards made in the second round, which covered 15 wind farm projects, will provide enough electricity for more than one in six households (4 million homes). The projects are in three strategic areas (Thames Estuary, Greater Wash and North West) with generation due to begin 2007-08. North Hoyle – the UK's first major offshore windfarm – began generating electricity.

Climate Change levy

In the Chancellor's 2002 Budget statement he strengthened the existing policy to support business energy efficiency by announcing proposals to:

- Freeze the climate change levy rates;
- Give complete exemption from the climate change levy to electricity generated by good quality combined heat and power (CHP) or from coalmine methane. Implementations of these exemptions are subject to EU state aids approval;
- Add heat pumps, radiant, warm air and solar heaters, energy-efficient refrigeration equipment and compressor equipment to the list of energy-saving technologies, which can benefit from enhanced capital allowances against tax. This provision is also to be extended to equipment for leasing.

Emissions Trading Scheme

The Government's emissions trading scheme was launched on 2 April 2002. Thirty-four organisations successfully bid to join the scheme for permits in an auction for permits held on 11 –12 March 2002.

Energy Efficiency

The Energy Efficiency Commitment is an obligation (expressed as a total energy saving in TWh) placed by the Government on gas and electricity suppliers to encourage and assist their customers to make energy savings through measures such as cavity wall insulation, loft insulation, boiler replacement and energy saving light bulbs. Suppliers make a contribution to the cost of the measure at a level that will induce the customer to take it up.

The scheme, began on 1 April, and will run from 2002 to 2005. The overall target on all suppliers has been set at a level that is expected to lead to estimated ongoing annual energy savings for consumers of around £275 million by 2005, as well as annual reductions in carbon emissions of around 0.4 million tonnes by 2005. It is estimated that the scheme will cost energy suppliers around £3.60 per customer, per fuel, each year. The scheme focuses help on the fuel poor and companies will be required to seek at least 50 per cent of their target fuel savings from disadvantaged customers.

Fuel Poverty

The Fuel Poverty Advisory Group, which had been announced in the November 2001 UK Fuel Poverty Strategy, met for the first time in March 2002. The Group is an Advisory Non-Departmental Public Body sponsored by DEFRA/DTI. Its primary task is to report on the progress of delivery of the Government's Fuel Poverty Strategy and to propose and implement improvements to regional or local mechanisms for its delivery.

The Group consist of a chairman and senior representatives from organisations such as the energy industry, charities and consumer bodies. These members would be representative ex officio members rather than individuals, who should be able to take a broad and impartial view.

In March 2002, the Department for Transport, Local Government and the Regions published revised guidance on the decent home standard and how social landlords can quantify the extent of non-decent housing within their stock to help them better deal with the problem. A decent home is one that meets the following criteria:

- is above the current statutory minimum standard for housing;
- is in a reasonable state of repair;
- has reasonably modern facilities and services;
- provides a reasonable degree of thermal comfort.

2002 (continued) The Scottish Executive issued its draft Fuel Poverty Statement in March 2002, inviting comments on the way the Executive plans to tackle fuel poverty in Scotland.

Again in March, Ofgem published its second annual report on its Social Action Plan setting out progress towards Ofgem's aim to ensure competition benefits all customers and to develop policies to help the fuel poor.

Coal

Longannet colliery owned by the Scottish Coal Company Ltd ceased operation and went into liquidation in March 2002. Price of Wales Colliery closed in August 2002.

Oil and Gas

PILOT "Progressing Partnership" Work Group was launched in March 2002. Within PILOT, the joint Government/Industry oil and gas task force, a new initiative for progressing partnership was born. Looking at common behavioural and supply chain barriers, the Group's aim was to address issues inhibiting recovery of Britain's oil and gas reserves. This led to a number of new initiatives, including getting "fallow" assets into the hands of those companies best placed to exploit them, and streamlining commercial agreements, to allow for swifter transfer of licence interests in offshore acreage.

Gas and Electricity

In October, TXU Europe agreed to sell its UK assets, including 5.3 million electricity and gas customers and 2.9GW of capacity to Powergen for £1.37 billion. The sale made Powergen the second largest supplier of retail energy behind Centrica.

Electricity

London Electricity acquired the distribution business of Eastern Electricity and the distribution and retail businesses of Seeboard.

In March 2002 Fifoots Point coal fired power station owned by AES went into receivership followed by Lakeland Power's Roosecote station in November 2002 and Westfield's Fife Power in December 2002

Power stations mothballed during 2002 included: one unit at Deeside (International Power); one unit at Killingholme (Powergen); and two units at Grain (Powergen).

Nuclear Power: British Energy

Following a sudden deterioration in its financial situation, the private sector nuclear electricity generator, British Energy (BE) approached the Government in early September 2002 seeking immediate financial support and discussions about longer term restructuring. The company owns eight nuclear power stations and generates about 20 per cent of Britain's electricity. In accordance with the Government's overriding priorities of nuclear safety and the security of electricity supplies, it provided short-term financial support to, and entered into discussions with, BE.

BE announced a proposed restructuring plan on 28 November, and the Government is taking financial responsibility for BE's historic spent fuel liabilities, and underwriting new arrangements announced by the company to fund decommissioning and other nuclear liabilities.

Nuclear

Bradwell power station owned by BNFL Magnox ceased production after 40 years of service.

2002 (continued) On 4 July 2002, the Government published proposals for radically altering existing arrangements for managing publicly-funded nuclear clean up in its White Paper, *Managing the Nuclear Legacy: A strategy for action*. The cornerstone of the new policy involved the establishment of a Nuclear Decommissioning Authority (NDA) to ensure the safe, secure, cost-effective and environmentally friendly decommissioning and clean up of the twenty nuclear sites currently operated by BNFL and UKAEA. To this end, it will develop a UK-wide strategy for dealing with the nuclear 'legacy'. Public consultation on the White Paper ended on 14 October. Detailed provisions to establish the NDA were later published in the draft Nuclear Sites and Radioactive Substances Bill on 24 June 2003.

CHP

In the 2002 Budget it was announced that all CHP generated electricity would be exempt from the Climate Change Levy (CCL). This is a key measure that is likely to help set the sector on course to meet the Government's target of at least 10,000MWe of CHP capacity by 2010. Previously, only CHP electricity used on site or sold direct to other users had qualified for CCL exemption. In addition leased assets became eligible for Enhanced Capital Allowances (ECAs).

In May 2002, Defra published for consultation the draft CHP Strategy that describes the full range of measures thought sufficient to for the Government's target of at least 10,000 MWe of Good Quality CHP to be met by 2010. It included market incentives, guidance and information, financial assistance and legislative action to support growth of the CHP industry. The consultation ran between 15 May and 7 August. A summary document was published on the Defra website in November. The final Strategy will be published in 2003.

Micro CHP

In the 2002 Budget it was announced that domestic micro CHP installed under the Warm Front Team will attract the reduced rate of VAT. Micro CHP is a new technology that we expect to make a significant contribution to domestic energy efficiency in the future. Reducing VAT on the cost of installation will help to give this new technology a useful kick-start.

Renewables

On 1 April 2002, the Government introduced an obligation on all licensed electricity suppliers that required them to supply a specified proportion of their electricity from eligible renewable sources. That proportion will rise in stages from 3 per cent in the 2002 year to 10 per cent by 2010.

During the year the first two offshore windfarms were approved and construction began at Scroby Sands and North Hoyle.

Environment

The Government introduced the climate change levy in April 2001. The levy had been proposed in the 1999 Budget, and its design elaborated in subsequent announcements.

The levy applies to energy (coal, gas and electricity) supplied to business and the public sector. It does not apply to energy used in the domestic sector for motive power in transport or to produce another energy product. There are exemptions for electricity generated from renewable sources and energy from quality-assured Combined Heat and Power (CHP) plants.

Levy revenues are recycled to business through an accompanying cut in employers' National Insurance contributions and a package of energy support to business which will fund energy efficiency advice to business and investment in low carbon technologies research and development, to be managed under the new Carbon Trust; as well as a new scheme of enhanced capital allowances for businesses investing in energy saving technologies.

Energy intensive sectors, as defined under certain eligibility criteria, receive an 80 per cent levy discount in return for delivery of energy saving targets in negotiated agreements with the Government.

The Government worked closely with the business-led Emissions Trading Group to design a UK Emissions Trading Scheme and published a draft Framework in May 2001, providing guidance for business on how the scheme will work and how companies can join in. The Government had previously confirmed it would make £30 million (net of tax) available to encourage companies to bid into the scheme and take the risks associated with taking on a binding emissions cap.

Fuel Poverty

In February, the Government published its consultation draft of the UK Fuel Poverty Strategy. Following a period of consultation over the summer in 2001, the UK Fuel Poverty Strategy was then published in November of 2001. The document sets out the Government's objectives, policies and targets for alleviating fuel poverty in the UK over the next 10 years.

The Government announced two new pilot schemes in the November 2002 Strategy. The Government intends to invite micro-CHP manufacturers to take part in a large-scale pilot to test the suitability of the technology for fuel poor households. In total up to 6,000 installations will be carried out over a 3-year period beginning in 2002. If successful, the intention is to offer this through HEES/WFT from 2005.

The Government also announced its intention to carry out a £5 million pilot to test a range of renewable energy and related technologies for use in homes that are off the mains gas network. Technologies for consideration include ground, air and water source heat pumps, solar water heating, biofuel heating, wind or hydroelectric generation. Individual pilots would examine the most appropriate renewable energy solutions for various property types, locations and occupant groups.

2001 (continued) Following the publication of the draft Strategy in February 2001, a Group was set up to look at the feasibility of extending the gas network to ensure that wherever possible the gas network provides the widest viable coverage and fullest viable capacity. The Group reported to Ministers at the end of 2001, the reports key findings were:

- around 1.3 million of the 4.5 million British households in fuel poverty are without access to mains gas. Of 900,000 English households without gas, provision of gas central heating and, where practical, loft and cavity wall insulation could remove 600-700,000, including the great majority of the most vulnerable, from fuel poverty. Similar or greater impacts would be likely in Wales and Scotland;
- extension of the network may be particularly appropriate where certain conditions –size of community, density and clustering of housing and relatively close proximity to the existing network – coincide. Where connection to the network is inappropriate, similar results appear obtainable from insulation and central heating systems used in conjunction with other fuels, such as fuel oil, that can drive central heating radiators;
- in some cases, other measures may be enough to remove households from fuel poverty: electric storage heating and insulation would remove 300-400,000 from fuel poverty, while insulation measures alone would remove 200-300,000.

Coal

Quinquennial Review of the Coal Authority completed. RJB Mining became UK Coal in May.

In October 2001 Coalpower Ltd assumed ownership of Hatfield colliery, which had gone into liquidation in August.

Buzzard Oil Field Discovery

In June 2001 the then PanCanadian Petroleum Company announced it had made a major oil reservoir discovery in the Central North Sea called "Buzzard". Initial estimates of recoverable oil were set at 200 to 300 million barrels. Later research indicated that the original reserves figure was understated by 100 million barrels of oil recoverable. The discovery confounded the view that there were no more large fields to be discovered in the North Sea.

Oil

In August 2001 production of gas and oil began at the Franklin field from a North Sea record depth of 5,500m (18,000 ft) sub sea and at record high temperature of 200 degrees Celsius. The Elgin-Franklin field complex became the world's largest offshore high-pressure high temperature producing centre.

Electricity

On 27 March the new electricity trading arrangements (NETA) replaced the electricity pool. NETA is a screen-based trading arrangement similar to that for general commodity trading – see Chapter 5, paragraph 5.3. A number of reports and consultations were carried out following the introduction of NETA - focussing in part on the impact of the balancing and settlement mechanism on small generators.

In October 2001, the formal separation of supply and distribution licences took place. From that date, no company could legally hold both licences. All former public electricity suppliers created new company structures to cater for this requirement. In addition several companies took the opportunity to focus on either supply or distribution by selling off the other business.

2001 (continued) By the end of the year, Innogy (the demerged domestic arm National Power) owned the former supply businesses of Midlands Electricity, Yorkshire Electricity and Northern Electric; TXU Europe owned the supply businesses of the former Eastern Electricity and Norweb; London Electricity owned the supply business of SWEB as well as that of London, and Scottish and Southern Electric owned the supply businesses of Scottish Hydro, Southern Electric and SWALEC. (Scottish Power continued to own Manweb as well as that of Scottish Power). In the field of distribution, Western Power Distribution (the renamed distribution business of SWEB) acquired the distribution business of SWALEC while Northern Electric purchased the distribution business of Yorkshire Electricity.

In October 2001, American Electric Power bought Ferrybridge and Fiddlers Ferry coal fired power stations from Edison Mission Energy.

TXU Europe sold the Rugeley coal fired power station to International Power (July), the West Burton coal fired station to the London Power Company (December), and the Kings Lynn and Peterborough CCGT stations to Centrica (October).

Nuclear

On the 28 November 2001 the Secretary of State made a statement about the future management of public sector civil nuclear liabilities. She announced HMG's intention to set up a Liabilities Management Authority (LMA) responsible for Government's interest in the discharge of public sector civil nuclear liabilities. The establishment of the LMA, and the transfer of assets and liabilities from BNFL and UKAEA to it, will require primary legislation.

2000

Fuel Poverty

In the March 2000 Budget the Government announced a change in tax rules to facilitate BG Transco's Affordable Warmth Programme, which uses an innovative application of lease finance, to encourage the installation of insulation and gas central heating. This programme aimed to install central heating in 850,000 local authority/registered social landlord homes and 150,000 pensioners private sector homes over the subsequent seven years.

After extensive consultation Ofgem, published its Social Action Plan in March 2000. It is a framework for action across a wide range of activities to ensure that the economic benefits of liberalisation is re spread fully among vulnerable and disadvantaged customers.

The new Home Energy Efficiency Scheme (HEES) was launched in June 2000 to provide a package of insulation and/or heating improvement measures for households in receipt of an income or disability benefit. The scheme will have a total budget of nearly £300 million in the first two years.

The Fuel Poverty Monitoring and Technical Group, which includes representatives from across Government as well as external organisations, was set up in June 2000. It is responsible for the development of a suite of indicators for monitoring progress on tackling fuel poverty.

The Warm Homes and Energy Conservation Act, introduced by David Amess with Government and cross party support, became law in November 2000. The Act requires the Secretary of State for England and the National Assembly for Wales 'to publish and implement a strategy for reducing fuel poverty and set targets for its implementation'.

Utility Reform

Utilities Act 2000 enacted in June.

Gas

In October, BG plc de-merged into two separate listed companies, of which Lattice Group plc is the holding company for Transco and BG Group plc includes the international and gas storage businesses.

Electricity

In March National Power sold Eggborough power station to British Energy and Killingholme CCGT station to NRG. London Electricity purchased the Sutton Bridge CCGT station.

In April, the Secretary of State for Trade and Industry announced that he anticipated lifting the restrictions on the building of new gas-fired power stations, once new electricity arrangements were in place. This moratorium was lifted on 15 November.

In August, AES' new coal fired station at Fifoots Point began to generate.

In September, PowerGen sold its Cottam power station to Edf.

Energy Efficiency

In July 1999, the Regulator announced his intention to raise the level of Energy Efficiency Standards of Performance (EESOP), which obliges electricity supply companies to improve energy efficiency amongst their domestic consumers, from £1.00 to £1.20 per customer with effect from April 2000. He also announced his intention to extend EESOP obligations to gas supply companies, also at a rate of £1.20 per customer.

2000 (continued) The Utilities Act received royal assent and enabled future EESOP obligations to be set by the Government. The Government had previously indicated such an intention explaining that it was appropriate for the Government rather than the Regulator to decide social and environmental obligations that had significant financial cost. In March 2000, the Government published a consultation document, "Energy Efficiency Standards of Performance 2002-2005" seeking views on the format and level of a new EESOP, and in November, published its provisional conclusions and announced the re-naming of the obligation as the Energy Efficiency Commitment (EEC).

In November 1999, the Government launched its Good Quality CHP Standard and confirmed its target of achieving at least 10,000 MWe of CHP capacity by 2010: more than double current capacity. In December, the Government confirmed that electricity from CHP plants would be exempt from the Climate Change Levy where the electricity was used on site or sold direct to the consumers.

Coal

At the end of January 2000 Midlands Mining ceased to produce coal from its only remaining colliery, Annesley-Bentinck. It ceased to sell coal in June.

On 17 April 2000, the Secretary of State announced a coal subsidy scheme designed to assist UK coal producers through a difficult transitional period arising from adverse market conditions and the imminent relaxation of the stricter gas consents policy. The Government's objective was to enable those elements of the industry with a viable future without aid to overcome short-term market problems. The subsidy scheme had to be approved by the European Commission, which was obtained in November 2000. Under the scheme, producers of qualifying coal are reimbursed for losses they incur on coal produced between April 2000 and July 2002, provided they can demonstrate long term viability and meet other conditions designed to avoid market distortions.

Oil

January 2000: establishment of PILOT, to take over the work of the Oil and Gas Industry Task Force and give effect to the Task Force's recommendations.

September 2000: signature and publication of Memorandum of Understanding between Government, oil industry, hauliers, trade unions and police to ensure continued supply of fuel in the event of any further disruption by fuel protestors.

New and Renewable Energy

In February the Government published *Conclusions in Response to the Public Consultation* ("New and Renewable Energy: Prospects for the 21st Century"). The document summarised the Government's strategy to make progress to a target of 10% of UK electricity from renewables sources by 2010, subject to the cost to consumers being acceptable.

In May the European Commission adopted a proposal for a Directive on the promotion of electricity from renewable energy sources in the internal electricity market. The Directive itself is to be agreed during 2001.

Nuclear

In February, HSE published three reports into BNFL, covering

- The Storage of Liquid High Level Waste at Sellafield.
- Falsification of Data at the Mox Demonstration Facility.
- Team inspection of the Control and Supervision of Operations at Sellafield.

In March the Government announced that it considered that the earliest date possible for the introduction of any PPP into BNFL could not be before the latter part of 2002.

2000 (continued) In April BNFL published its response to two of the HSE reports, with the third response to follow in the summer as agreed with HSE.

In May BNFL acquired the nuclear business of ABB. BNFL also announced a strategy for managing lifetimes of its Magnox stations. BNFL also closed its Hinkley Point Magnox station.

In June BNFL's Wyfla station went offline for extended repairs and maintenance that was to last until August 2001.

On 1 September 2000, the UKAEA's Directorate of Civil Nuclear Security was transferred to the DTI as the Office for Civil Nuclear Security (OCNS), to regulate security within the civil nuclear industry. It will have operational and regulatory autonomy within DTI.

Environment

Royal Commission on Environmental Pollution report on climate change and energy

In June, the Royal Commission on Environmental Pollution published its major report "Energy - the changing climate". It referred to the need for much greater international action if concentrations of greenhouse gases were to be stabilised. It emphasised the need for a long term vision of how large scale reductions in greenhouse gas emissions, of the order of 60% of carbon dioxide emissions by 2050, might be achieved.

Climate Change Programme

The Government published in November its national Climate Change Programme. The Programme aimed to provide a strategic framework for the Government to deliver the UK's target under the Kyoto Protocol of reducing emissions of a basket of six greenhouse gases by 12.5% from 1990 levels in the period 2008-12; and also to move towards its own domestic policy goal of reducing carbon dioxide emissions by 20% from 1990 levels by 2010. The Programme drew together a wide range of existing and planned policies and measures, to engage all sectors of the economy and society in efforts to reduce greenhouse emissions. Many of these had implications for the energy sector.

1999

Nuclear

The Government announced that it was looking to introduce a Public Private Partnership (PPP) into BNFL, subject to the company's overall progress towards achieving targets on safety, health, environmental and business performance as well as further work undertaken by the DTI and its advisers. The Government's working assumption was that PPP would involve BNFL as a whole. Existing legislation provided for the sale of up to 49 per cent of the company.

BNFL, in partnership with US engineering group Morris Knudsen, acquired the global nuclear business of the US company Westinghouse.

Following Government approval, BNFL commenced uranium commissioning of its Sellafield mixed oxide (MOX) fuel plant.

Electricity

Opening of supply market to full competition was completed in May. At the end of June, Ferrybridge and Fiddlers Ferry power stations were sold by PowerGen to Edison Mission Energy, and at the end of November National Power sold DRAX to AES.

The implementation date for the EU Electricity Liberalisation Directive was February 1999, which required an initial 25 per cent market opening to be implemented, with nearly all the Member States adhering to the timetable.

In October 1999, the Director General of Gas and Electricity supply (DGGES) published a report on Pool Prices. This concluded that the trading arrangements facilitated the exercise of market power. He proposed the introduction of a good market behaviour condition in the licences of the main generators.

New and Renewable Energy

In March 1999, a third Scottish Renewables Order (SRO) was made for 150 MW (DNC) of capacity.

In March 1999, the Government published a consultation paper "New and Renewable Energy - Prospects for the 21st Century". The legal provision for a new renewables mechanism was the Utilities Bill announced in the Queen's speech in November 1999.

Coal

In March 1999, the Government issued mineral planning guidance with respect to opencast mining.

In April 1999, the Department published its policy paper Energy Paper 67 on research and development into cleaner coal technologies.

In July 1999 Calverton Colliery closed.

In October 1999, the Government's Coal Field Task Force published a progress report relating to the problem of those communities affected by pit closures.

Utility Regulation

New name for the combined OFFER and Ofgas electricity and gas market regulator announced as Office of Gas and Electricity Markets - Ofgem.

In April, in its response to consultation, the Government confirmed its plans to establish independent consumer councils.

In July, the Government issued a discussion note on "The Government's Provisional Conclusions on how Energy Efficiency Standards of Performance under the proposed legislation for utility regulation could work".

1999 (continued) In November 1999, the Government announced a Utilities Reform Bill to provide a new framework for the regulation of the gas and electricity markets so as to provide a fair deal to consumers.

Fuel Poverty

The Electricity Association Fuel Poverty Task Force was set up in May 1999 to bring forward energy related proposals to help alleviate fuel poverty. The task force comprises representatives from both gas and electricity customers.

In November 1999, an Inter-Ministerial Group on Fuel Poverty was set up to take a strategic overview of the relevant policies and initiatives with a bearing on fuel poverty, and to develop and publish a UK Strategy setting out fuel poverty objectives, targets and the policies to deliver those objectives.

Gas

In June, BG announced its restructuring to separate Transco, the regulated pipeline company, from the rest of the business.

A consultation exercise into the Fundamental Review of Gas Safety was launched by the Health and Safety Executive.

In September 1999, the HSE issued a consultation document outlining the proposed amendments to "The Gas Safety (Management) Regulations (GS (M) R)", with a closing date for December 1999.

Environment

In the March 1999 Budget, the Government announced its intention to introduce a climate change levy on the supply of energy to business, following up recommendations of the Marshall Report.

The Government also followed up Lord Marshall's recommendations on emissions trading, by encouraging the launch of an industry-led project to design a pilot scheme for the UK.

Oil

16th February 1999, the key Brent crude oil benchmark price touched \$9 per barrel, a record low level. However, by December 1999 the oil price had recovered to over \$25 a barrel.

Production from the UKCS reached a record level of 137 million tonnes of oil.

Drilling at BP Amoco's Wytch Farm onshore field achieved two world records - longest production well drilled and greatest horizontal drilling distance achieved.

Oil & Gas industry Task-Force report published in September 1999 set a vision for the UKCS in 2010, aimed at increasing investment in UKCS activity, increasing employment in directly linked and related industries, and prolonging UK self-sufficiency in oil and gas.

1998

Coal

The 5-year contracts with the electricity generators ended in March 1998.

Silverdale Colliery closed in December 1998.

Electricity

The final stage of opening electricity supply markets began in September and was completed in May 1999.

The Government published a White Paper (CM 4071) on energy sources for power generation, and adopted a more restrictive policy towards consents for new power stations, but with special provisions for CHP.

The Monopolies and Mergers Commission recommendation on revised transmission and distribution price control on Northern Ireland Electricity, which was subject to judicial review, was upheld by the Northern Ireland Court of Appeal.

Gas

Introduction of supply competition in Great Britain was completed in May 1998.

In April, the gas levy was reduced to zero.

The European Union Gas Liberalisation Directive entered into force in August 1998.

In October, the UK - Belgium interconnector became operational, providing a path for UK gas exports to markets in Europe as well as another route for imports of gas into the UK.

Revision of Frigg Treaty with Norway was signed in August 1998.

New and Renewable Energy

The fifth Non-fossil fuel obligation (NFFO) Order was laid in September 1998 for 1,177 MW of capacity.

Oil

International agreement reached on decommissioning and disposal of offshore structures.

New Regulations required Environmental Impact Assessments for offshore projects.

200 oil and gas fields in production in the UK.

Nuclear

In January, the Government transferred its shareholding in Magnox Electric to BNFL as the first stage of a merger of the two companies. Full integration of the combined business of the two companies was completed early in 2000.

The Health and Safety Executive and the Scottish Environment Protection Agency completed a full audit of safety at UKAEA Dounreay.

The acceptance of a small consignment of uranium from Georgia for non-proliferation reasons was subject to scrutiny by the Trade and Industry Committee, who approved of the Government's decision.

1998 (continued) Utility Regulation

In March, following an inter-departmental review, the Government published a Green Paper entitled 'A fair deal for consumers' on utility regulation aimed at ensuring that consumers got a fair deal from regulation, and at making regulation more consistent, transparent, and accountable. The Government's conclusions, in the light of consultation, were published in July, including confirmation that the regulators for gas and electricity should be merged and that the Electricity Act 1989 should be amended to require the distribution businesses of the PESs to be licensed separately from their supply businesses. Detailed proposals on energy and the creation of independent consumer councils were published in November.

In October, the Government published its consultation document on "Possible Provisions for Energy Efficiency Standards of Performance in the New Framework of Utility Regulation".

A new gas regulator was appointed in November 1998; he also took over as electricity regulator in January 1999.

1997

Regulation

In June, the Government announced a review of utility regulation, to cover in particular electricity, gas, telecommunications, and water. It was aimed at ensuring that consumers get a fair deal from regulation, and at making regulation more consistent, transparent and accountable.

Electricity

Revised Transmission Price control took effect from 1st April reducing prices further over four years.

In October, the Government announced a review of the electricity trading arrangements including the Electricity Pool. OFFER were asked to report by July 1998.

In December, the Government announced a review of fuel sources for power stations. A consultation paper was issued in June 1998.

The Regulator announced a proposed timetable starting in April 1998 for the rollout of the final stage of supply competition using customer postcodes. The Regulator subsequently modified the timetable and put in place arrangements for the extensive testing of the systems necessary to make competition work.

Gas

Following the increased expenditure on exploration and development of gas fields in the North Sea in the early 1990s, gas production increased to the point where the UK became a net exporter of gas for the first time.

By March competition in the domestic market was extended to include another 0.5 million households in Avon and Dorset and 1.1 million households in the South East of England, bringing the total to two million customers. Over 20 per cent of these households switched to a new supplier by the end of 1997.

In November 1997, as part of the next stage in the liberalisation of the gas industry, competition was extended to another 2.5 million domestic customers in Scotland and North East England.

Nuclear

On 1 April 1997, the Fossil Fuel Levy in England and Wales was reduced to 2.2 per cent (from 3.7 per cent in November 1996).

New and Renewable Energy

The fourth Non Fossil Fuel Obligation (NFFO-4) Renewables Order for England and Wales made for 873 MW Declared Net Capacity (DNC).

The second Scottish Renewables Order (SRO-1) was made for 112 MW of capacity.

John Battle, Minister for Science, Energy and Industry, announced a review of renewables energy policy on 6 June 1997.

VAT

On 1 September, VAT on domestic gas and electricity supplies was reduced to 5 per cent.

Windfall tax

In the July Budget, the Government announced that the privatised utilities would have to pay a one-off windfall tax on the excessive profits they had made, payable in two instalments - one in 1997 and the other in 1998. Altogether this was expected to raise £5.2 billion.

1997 (continued) Winter Fuel Payments

Winter Fuel Payments were introduced in the winter of 1997 for Great Britain (a similar scheme existed in Northern Ireland). Everyone over the age of 60 received the payment, regardless of whether they are getting a state Pension or any other social security benefits.

Oil

November 1997 saw the start of production of oil from the Foinaven field. This was the first production from the British area of the Atlantic Margin known as the West of Shetland.

1996

Coal

In January the company Coal Investments ceased trading, closing four pits and selling two to Midlands Mining Ltd.

In May the National Audit Office published its report into the privatisation of British Coal's mining activities.

Electricity

The revised Distribution Price control (further tightened as a result of the second review in 1995) took effect from 1st April.

In July 1996 Eastern Group leased a total of 6 GW of coal-fired electricity generation capacity from National Power (4 GW) and PowerGen (2 GW). As a result, the pool price cap was lifted.

Bids made by National Power and Powergen for Southern Electric and Midlands Electricity respectively in 1995, which would have allowed significant vertical integration between generation and supply in the industry, were prohibited by the President of the Board of Trade in April following an investigation by the Monopolies and Mergers Commission.

Gas

On 6 February in response to the separation of licensing for gas distribution and supply in the Gas Act 1995, British Gas Plc announced it was demerging into two companies, one responsible for the transmission of gas (BG Transco) and one for the supply of gas (Centrica).

On 1st April, the first stage of the introduction of competition in the domestic market began - around 540,000 customers in South West England were enabled to purchase their gas from a variety of suppliers. By the end of the year just under 20 per cent of households switched to a new supplier, whose prices were on average 10-20 per cent less than those charged by British Gas.

Nuclear

The nuclear generating industry was formally restructured on 31 March 1996 in preparation for privatisation. A holding company, British Energy plc (BE) was created, together with two subsidiary companies - Nuclear Electric Ltd, (now called British Energy Generation) which now operates the PWR and five AGR stations in England and Wales, and Scottish Nuclear Ltd (now called British Energy Generation UK), which operates two AGR stations in Scotland. In July 1996 British Energy, which operates the AGR/PWR nuclear electricity power stations in the UK was floated on the London Stock Exchange by the Government. Magnox stations remained in the public sector under the ownership of Magnox Electric plc. Magnox Electric and BNFL merged early in 2000.

Because of the privatisation of British Energy, on 1st November, the Fossil Fuel Levy in England and Wales was reduced from 10 per cent to 3.7 per cent (on 1st April 1997 it was reduced further to 2.2 per cent).

The premium element of prices payable in Scotland under the Nuclear Energy agreement ended in July 1996. A new Fossil Fuel Levy was introduced at a rate of 0.5 per cent to support renewable energy.

In September, AEA Technology, the commercial arm of the UK Atomic Energy Authority, was privatised.

Regulation

On 10th June, the Office for the Regulation of Electricity and Gas (OFREG) was formed to perform a similar role in Northern Ireland to that of OFFER and OFGAS in England and Wales. It is unique in that it is the only combined utility regulatory office in the UK.

Coal

The Domestic Coal Consumers Council was abolished.

Electricity

In March, the Government's 'Special Share' in each of the Regional Electricity Companies expired. The companies were then exposed to the full disciplines and opportunities of the market, including acquisitions and mergers. In 1995 there were four bids involving Regional Electricity Companies, followed by a further seven successful bids in 1996 and two more in the first half of 1997.

In March, the Government also floated its remaining 40 per cent share in National Power and PowerGen on the London Stock Exchange. It did, however, retain its 'special share' in these companies.

Following a review, the distribution price control was revised from 1st April.

The DGES decided to review again the Distribution Price Control following Northern Electric's defence against a take-over bid from Trafalgar House.

The National Grid Company was floated on the London Stock Exchange in December. As a result, customers of the Regional Electricity Companies received a discount of £50 on their electricity bills in early 1996 as their share of the benefit from the sale. Before the company was floated, its Pumped Storage Business was transferred to a new company, First Hydro, which was then sold to a US generator, Mission Energy.

The Government still holds a special share in the National Grid Company which is not time limited.

Gas

The Gas Act 1995 set out the Government's plans for the liberalisation of all gas markets, including the domestic sector. The Government and the industry put into place the licensing framework and the administrative/computer framework required to support the forthcoming gas pilot trials.

By the end of 1995, there were 40 independent gas marketing companies selling gas to UK end-users. They had captured 80 per cent of the firm industrial and commercial market, and 70 per cent of the market for "interruptible" sales.

The development of a "gas bubble" (an excess of supply over demand) in 1995 and into 1996 led to a sharp fall in the spot price of gas from 0.7p/KWh to around 0.4p/KWh (10p per therm). The main beneficiaries of this were customers on short-term gas contracts.

Oil

Production from the UK sector of the North Sea and onshore sites reached a new record level of output at 130.3 million tonnes per annum.

Nuclear

In February, electricity generation began at Sizewell B, the UK's only pressurised Water Reactor, whose construction had been completed the previous year.

In May, the Government published a White Paper on the prospects for nuclear power in the UK. It concluded that nuclear power should continue to contribute to the mix of fuels used in electricity generation, provided it maintained its current high standards of safety and environmental protection; that building new nuclear power stations was not commercially attractive; and that there was no justification for any government intervention to support the construction of new nuclear stations.

1995 (continued) Energy Conservation

The Home Energy Efficiency Act 1995 (HECA) requires all UK local authorities, with housing responsibilities, to prepare an energy conservation report, identifying practicable and cost-effective measures to significantly improve the energy efficiency of all residential accommodation in their area; and to report on progress in implementing the measures.

1994

Coal

Coal Authority was brought into legal existence under Section 1 of the Coal Industry Act 1994 on 19th September.

The 31st October was the Coal Authority "Restructuring Date". Ownership of Britain's coal reserves was transferred to the Authority and it assumed its full range of functions including powers to license coal operations.

In December, British Coal Corporation's mining activities were sold to the private sector.

Electricity

In April, competition in the electricity market was extended to include all customers whose demand exceeded 100 kW.

From 1 April the revised (tightened) supply price control took effect.

OFFER imposed the first Energy Efficiency Standards of Performance (EESOPs) on electricity companies, requiring them to promote and carry out energy efficiency measures for their customers. At the same time OFFER included within the price controls a charge of £1 per customer per year to pay for the measures. This first EESOP covered the period 1994-1998, but was subsequently extended, at the same level, until March 2000.

New and Renewable Energy

The third Non Fossil Fuel Obligation (NFFO-3) Renewables Order for England and Wales was made for 627 MW Declared Net Capacity (DNC).

The first Scottish Renewables Order (SRO-1) for Scotland was made for 76 MW Declared Net Capacity (DNC).

The first Northern Ireland NFFO (NI-NFFO-1) Renewables Order was made for 16 MW Declared Net Capacity (DNC).

VAT

In April, the Government introduced VAT on domestic fuel at a rate of 8 per cent.

1993

Coal

Coal Review White Paper, "The Prospects for Coal", published on 23rd March. Main conclusions were:

- subsidy to be offered to bring extra tonnage down to world market prices,
- no pit to be closed without being offered to the private sector,
- no changes to the gas and nuclear sectors,
- increased investment in clean coal technology,
- regeneration package for mining areas increased to £200 million.

On 2nd December, the Coal Industry Bill was published. Its main features were:

- to enable privatisation,
- to establish the Coal Authority,
- to protect the rights of third parties,
- to safeguard pension and concessionary fuel entitlements
- to retain HSE and HM Mines Inspectorate as bodies responsible for mine safety & inspection.

Electricity

In June, Northern Ireland Electricity plc was floated on the London Stock Exchange.

Gas

The Monopolies and Mergers Commission published a report on competition in gas supply.

Oil

Unleaded petrol sales accounted for 50 per cent of the total UK market for motor spirits.

1992

Electricity

In March, generation in Northern Ireland was transferred from Northern Ireland Electricity to four independent generation companies. Northern Ireland Electricity plc became responsible for transmission and distribution and supply. A special share was retained in Northern Ireland Electricity.

Gas

Following the withdrawal of BG's legal monopoly relating to the non-tariff or contract market for customers with demand greater than 25,000 therms per annum, British Gas was prompted in March by the Director General of Fair Trading to create the conditions whereby competing suppliers should be able to supply at least 60 per cent of the market for customers whose demand exceeded 25,000 therms. In August, the market sector open to competition was extended to include customers with an annual demand of between 2,500 and 25,000 therms. The agreement between British Gas and the Director General of Fair Trading was then redefined as 45 per cent of the market for demand greater than 2,500 therms per annum.

1991

Electricity

60 per cent of the shares in National Power and PowerGen were floated on the London Stock Exchange in March. The Government retained the remaining 40 per cent of shares. Scottish Power and Scottish Hydro Electric were floated in June. The Government retained ownership of Nuclear Electric. In England and Wales the long-term costs of generation from nuclear sources were funded from the proceeds of the "Fossil Fuel Levy" on supplies of certain electricity. In Scotland contracts were established with the Scottish PESs for the output of the Scottish nuclear generating stations.

New and Renewable Energy

The second Non Fossil Fuel Obligation (NFFO-2) Renewables Order for England and Wales was made for 457 MW Declared Net Capacity.

Oil

The Gulf War began in mid-January and ended in late February, following the occupation of Kuwait by Iraq in August 1990. This provoked worldwide concern about the availability of oil. The annual average price of crude oil rose sharply, and took two years to settle back to its pre-war level.

One hundred oil and gas fields were in production in the UK.

1990

Electricity

The new licensing regime for electricity companies was established along with the post of Director General of Electricity Supply (DGES) by the 1989 Electricity Act. The Act also gave powers to the Secretary of State for Trade and Industry to replace existing public electricity boards by Plc's. The Office of Electricity Regulation (Offer now merged with OFGAS to form OFGEM) set up in shadow form.

Provisions of the Act came into force in March. The Central Electricity Generating Board (CEGB) was split into four companies, National Power and PowerGen (fossil fuel generation), Nuclear Electric (nuclear generation) and the National Grid Company (NGC) (transmission). Twelve Regional Electricity Companies replaced the Area Electricity Boards. At the same time, the South of Scotland Electricity Board and North of Scotland Hydro-Electric Board was replaced by Scottish Power and Scottish Hydro-Electric (generation, transmission, supply and distribution) and Scottish Nuclear (nuclear generation). The ordinary shares in the National Grid were transferred to the 12 Regional Electricity Companies (RECs).

At vesting, (31 March) price controls, put in place by the Government, came into being for the transmission business of NGC and the supply and distribution businesses of the RECs. There was not a generation price control as this sector was open to competition from the start.

The 12 Regional Electricity Companies in England and Wales were floated on the London Stock Exchange in December. The Government retained a special share in each of the privatised companies, known as the 'Special Share', which prevented any other investor from buying more than 15 per cent of the shares for a period of five years.

At the same time the market for customers with demand exceeding 1 MW was opened up to competition.

During 1990 the Electricity Pool was established. This was a trading mechanism (now superseded), which called generators online to provide a "pool" of electricity for suppliers to purchase. Other than for a few very large contracts, there were no direct contracts between generators and suppliers/users.

New and Renewable Energy

The first Non Fossil Fuel Obligation (NFFO-1) Renewable Order for England and Wales made for 102 MW Declared Net Capacity (DNC).