

## Chapter 9

### We need to work with others...

- 9.1 People gave us a very clear message in the public consultation leading up to this white paper. They told us that they care about the environment and that they want to play their part in tackling climate change. But they need practical leadership and help to understand what they can do.
- 9.2 We have set a lead in this white paper. We have set out new objectives for energy policy, including a clear commitment to move towards a low-carbon economy. And we have set out new measures to deliver our objectives.
- 9.3 We will need to work with others to achieve these goals. The products and services needed in future will depend on business enterprise and innovation. Local authorities and regional bodies are pivotal in delivering change in their communities. We will continue to work closely with the Devolved Administrations. We will continue to need a sound basis of academic research and information. Independent organisations and voluntary bodies can communicate messages to the public and help them to get involved in decision-making.
- 9.4 And Government itself must change so that energy policy is looked at as a whole. Our challenge is to achieve all our objectives together rather than pursuing them as separate streams. And this approach needs to be reflected in the way energy markets are regulated.

### We need new ways of doing things in Government...

- 9.5 We have set out a challenging, long-term, agenda for change. We need to make sure we have the institutions in Government to deliver it.
- 9.6 We do not believe we need a new organisation for this. We want to concentrate our energies on following through the commitments we have made, not on creating new machinery. We have shown, during the preparation of this white paper, that with commitment and effective leadership we can achieve extremely effective interdepartmental working. We intend to build on this. The white paper itself will give us a new focus for our future efforts in this respect.
- 9.7 This work cuts across traditional departmental boundaries. To deliver the programme successfully, we need to provide a clear locus for:
- advising the Government on energy security (including longer-term international trends) and on carbon emission targets;
  - monitoring the introduction and impact of policies to deliver those security and carbon goals;
  - monitoring performance;
  - reporting to Ministers on performance and on any policy adjustments needed;
  - reporting publicly on performance; and
  - coordinating across Government on international sustainable energy issues.

- 9.8 **To this end, we will strengthen departmental analytical and strategic capabilities in the field of energy policy. The DTI's Energy Strategy Unit will provide the focal point of a network - a Sustainable Energy Policy Network - of departmental policy units that will be involved in delivering the white paper's commitments.** We expect the DTI, Defra, the FCO, the Treasury, the ODPM, DfT, the Scotland Office, the Wales Office, and the Devolved Administrations all to play a full part in this network. The regulators, particularly OFGEM and the Environment Agency, will also play an important part. The primary task of the network will be to ensure that the aims we have set out in this white paper are delivered. This will require the network, acting as a virtual unit, to ensure that the Government as a whole pursues effectively the policies and programmes that we need to deliver all our objectives, including a significant stepping-up of our international capability.
- 9.9 **To provide a clear line of accountability for the network, we will also put in place a new, ad hoc, Ministerial group which will oversee the delivery of the commitments in this white paper. This group will be chaired jointly by the Secretary of State for Trade and Industry and the Secretary of State for the Environment, Food and Rural Affairs. To support the Ministerial group, the governance of the Sustainable Energy Policy Network will be strengthened with the creation of a Sustainable Energy Policy Advisory Board, made up of senior, independent experts and stakeholders.** The role of the Advisory Board will be to provide the Ministerial group with a source of well-informed, independent advice on the approach and the work of the Network as a whole.
- 9.10 To ensure the transparency of the follow-up to this white paper, the Sustainable Energy Policy Network will publish annually a report on the progress being made towards the aims we have set out here. This will report on how the Government, regulators and industry are delivering security of short-term and long-term energy supply, moving towards our intermediate and longer-term carbon reduction goals (including those already set out in the Climate Change Programme), delivering our fuel poverty targets and maintaining the competitiveness of our energy markets more generally.
- 9.11 We will need appropriate indicators to monitor progress. Government already publishes an extensive range of energy indicators, and these will continue to be published annually.<sup>1</sup> But we need to focus on a smaller set of indicators to give a broad overview of whether overall energy policy objectives are being delivered. **Therefore, as a supplement to the white paper, we will be seeking views on the most appropriate indicators to focus upon.**
- 9.12 We also need to ensure that our future policies and measures take full account of their carbon impacts, that they are transparent and that information about them and about energy policy choices is available to business and the public in a format that they will find accessible. The recently updated guidance for regulatory impact assessments includes a provision to consider environmental impacts as part of delivering the Government's commitment to sustainable development. **A carbon impact assessment will in future be an integral part of assessing environmental impacts.**

<sup>1</sup> *UK Energy Sector Indicators*, DTI, December 2002  
 ([www.dti.gov.uk/energy/index.shtml](http://www.dti.gov.uk/energy/index.shtml))

## Linking to the work of OFGEM...

9.13 Government sets the regulatory environment in partnership with OFGEM, the independent economic regulator for the gas and electricity markets. OFGEM has a key influence on the energy markets for which it is responsible. The way in which OFGEM and Government discharge their responsibilities will play a central part in determining whether the environmental transformation and the security of the energy industry we envisage in this white paper are delivered in practice. OFGEM and the DTI share common statutory duties under the gas and electricity legislation, but have separate responsibilities: the roles are complementary. Our proposals will facilitate dialogue, and provide for a clear, shared, understanding of objectives.

9.14 To help minimise inconsistencies between our energy policy objectives and the regulatory regime for the gas and electricity markets we need to:

- raise the profile of environmental considerations in OFGEM's regulatory decision-making;
- improve co-ordination and understanding between Government and the regulator on environmental objectives; and
- strengthen OFGEM's transparency.

9.15 To this end we propose a wide-ranging programme of action:

- **OFGEM has committed to producing regulatory impact assessments, including environmental impact assessments, for all significant new policies. This will enhance transparency until there is opportunity to provide statutory backing for these**

**assessments through primary legislation, bringing OFGEM into line with the position in other areas, notably the Financial Services Authority and Ofcom;**

- **OFGEM is committed to publishing regular statements on security of supply;**
- **DTI, Defra and OFGEM will establish a joint working group on relevant environmental issues, and publish statements of progress through the Sustainable Energy Policy Network.** This group will build on the successful joint group which has been established for security of supply; and
- **we shall revise the statutory guidance on social and environmental issues in the light of this white paper making the guidance more specific.**

9.16 Many of the detailed rules for the electricity and gas markets are set in codes rather than in legislation or licence conditions. Industry code panels advise the regulator on proposals for modifications. OFGEM then makes decisions on code modifications. In making its decisions OFGEM is not bound by the panels' advice. We will:

- **seek to strengthen the code panels which advise on code revisions by ensuring they include people with expertise in renewables and the environment;**
- **work with OFGEM to strengthen the transparency and accountability of the code modification process.** OFGEM already publish reasons where they do not accept the advice of the industry code panel; and
- **also consult on a range of further measures, including whether it would be appropriate to provide for appeals against**

### **OFGEM decisions on certain code**

**modifications.** This consultation will take place within the wider context of a House of Lords inquiry into the accountability of regulators.

- 9.17 It has been argued that we should introduce a power of direction over OFGEM. We believe that independent economic regulation delivers very significant benefits. Although a power of direction would allow the Government to have a direct impact on regulatory decisions, we consider it would undermine the independence of the regulator, and politicise the regulatory process so as to cause unacceptable levels of uncertainty in the markets.

### **We must also work closely with the Devolved Administrations...**

- 9.18 **We will continue to work closely with the Devolved Administrations on energy policy objectives, in particular through the new Sustainable Energy Policy Network.** We are encouraged that the Devolved Administrations are developing strategies and targets on devolved aspects of energy policy.

### **Scotland and Wales - Approaches to Energy Strategy**

In **Scotland**, the Scottish Executive is committed to raising the overall proportion of electricity generated from renewable sources to 18% by 2010 (including existing large hydro). The Executive has recently consulted on the potential to generate as much as 40% of Scotland's electricity from renewable sources by 2020. Scottish Ministers are currently considering the views expressed and intend to make an announcement shortly about a 2020 target and the measures required to achieve it.

The Scottish Executive is also strongly supportive of a single GB market in electricity through BETTA.

**Wales** has a climate, geography and industrial structure which present tremendous opportunities for clean generation technologies which can be developed very much in accord with sustainable development principles, including creating wealth for communities from energy generation and supply chain growth. Renewable energy, CHP and energy efficiency opportunities have already been examined in depth by the Welsh Assembly's economic development committee and are being supported within the EU Structural Funds programmes. Against this background the Welsh Assembly Government and relevant agencies are strongly pursuing an increasingly active clean energy/energy-conservation strategy which will be further boosted in the light of the developments described in this white paper.

## Regional and local leaders...

- 9.19 Local authorities and other local bodies, regional chambers and Regional Development Agencies (RDAs) make decisions that are vital for energy policy - for example on planning, regeneration and development, procurement, housing, transport and sustainable development. Specific examples are set out throughout this white paper. In future there will be greater emphasis on local and regional approaches in delivering our energy objectives. Local authorities have a growing role as community leaders. Elected regional assemblies will provide additional political leadership<sup>2</sup>.
- 9.20 We already work with local and regional bodies in England on energy issues - for example, on energy efficiency. **We will build on this to develop a new package of measures to promote national objectives through local and regional decision-making.** This will enable local and regional priorities to be better reflected in national policy. Over time a more proactive role will be developed for local and regional bodies in energy policy.<sup>3</sup> Local policy is devolved and the Devolved Administrations will wish to consider whether to take action in their respective areas.
- 9.21 Several regions already have energy or renewables strategies. **We propose to build on these by taking steps to ensure that a strategic approach to energy is developed and implemented in each region. Ideally**

<sup>2</sup> In regions that choose to establish them.

<sup>3</sup> The approach builds on policy set out in the recent white paper on regional governance *Your Region, Your Choice: Revitalising the English Regions*. Cm 5511 HMSO May 2002.

**this strategic approach will be integrated as appropriate into existing strategies.**

**We expect that it will:**

- **set out a strategic vision of the interaction between national energy policy and specific local and regional concerns;**
  - **include regional targets (such as for renewables and energy efficiency) negotiated between the region and national Government;**
  - **set out an action plan showing how regional bodies and local authorities intend to help to deliver objectives on energy through their various roles and functions; and**
  - **act as a contribution by the region to the development of national policy.**
- 9.22 We expect this strategic approach to be developed by a partnership of regional chambers, RDAs, Government Offices in the Regions (GOs), local authorities and other stakeholders, such as businesses, unions and voluntary groups. Its objectives will need to be delivered by all these bodies working closely together. In the longer term elected regional assemblies will take responsibility for leading the work where they are established. **We will consult shortly on detailed proposals.**

### Arrangements in London

In London, the Greater London Authority (GLA) was created in 2000, with responsibility for preparing statutory strategies in a number of areas. We believe it is too early to change current institutional arrangements in London, given that the GLA has only been in existence for two years. But we welcome the Mayor's decision to prepare a non-statutory energy strategy.

9.23 RDAs' role as the drivers of regional economic development means that they can make a significant contribution to meeting the energy policy objectives set out in this white paper. In particular they will have a key role in implementing a strategic approach at regional level, and the Regional Economic Strategy will be a key driver in its development. **We will therefore strongly encourage RDAs to play a key role in the delivery of energy policy objectives at regional level. We will also support them in helping to develop their understanding of the implications of the white paper for their region and in identifying specific actions they can take to meet its aims.**

9.24 Many local authorities and regional bodies are already developing innovative initiatives and strategies that go beyond their statutory functions. In the longer term we want to see more taking such a pro-active role.

**The Sustainable Energy Policy Network will have a remit further to develop the partnership with local and regional bodies on energy issues. In addition we will:**

- **establish a new beacon councils theme on sustainable energy to promote innovative local approaches on generation and demand-side measures;**
- **promote energy efficiency and the roll-out of new technologies as areas in which local authorities can consider Local Public Service Agreements;**
- **urge local authorities to give energy issues priority at a strategic level, for example, through their Community Plans and Housing Strategies, consistent with the new strategic approach to be developed at regional level;**

- **encourage local authorities to take the lead, acting as catalysts for change, developing and facilitating cross-sectoral partnerships and providing advice and encouragement;**
- **review existing guidance to Energy Conservation Authorities on complying with the requirements of the Home Energy Conservation Act;**
- **consider with the Local Government Association (LGA) whether at the next review to include energy as a shared central-local priority; and**
- **consult on arrangements to collect and make available data on the pattern of energy usage in local areas, to enable local authorities and regional bodies to target activity more effectively.**

## Examples of Successful Local and Regional Initiatives

The **Northern Energy Initiative**, an independent organisation undertaking work for the regional GO, the RDA, academic institutions and business, has developed an energy strategy for the North East of England. This sets regional targets for business energy efficiency, job creation in the energy sector, renewables and CHP. It has set up support for smaller businesses, a renewable energy agency and a 'clean coal' project.<sup>4</sup>

**The South West RDA and GO** have, with local Government and business, drawn up a **Strategic Framework for the Development of Renewable Energy** in the South West. The framework addresses issues such as skills and awareness, markets for renewable energy and planning. The partners have subsequently set up a not-for-profit company 'Regen SW' to guide the development of renewables in the region and to help deliver action under the strategic frameworks<sup>5</sup>.

**Calderdale Council** has utilised funding from the local Primary Care Trust to insulate the homes of people over 60. In 2001, 711 householders had their homes improved under this scheme.

The Council is in partnership with Yorkshire Forward, the RDA in a scheme to increase the take-up of solar PV technology throughout West Yorkshire. A recent report by the Audit Commission into the work of the Calderdale Housing Energy Team said, "the work carried out by the Council on energy efficiency measures and advice is impressive".

**Woking Borough Council** is the only UK local authority to supply customers with electricity, heat and cooling on private wire district energy networks, using fuel cells, CHP and solar power. It also supplies energy services to homes and businesses, financed through a public/private joint venture energy services company, for which the Council gained a Queen's Award for Enterprise.<sup>6</sup>

**Leicester City Council** has a major energy efficiency housing programme which incorporates expanding the district heating system, introducing CHP, renewable energy systems and energy efficient independent boilers, and a policy for installation of new, PVCu double-glazed windows to all council housing in Leicester.<sup>7</sup>

4 [www.umitek.com](http://www.umitek.com)

5 [www.oursouthwest.com](http://www.oursouthwest.com) - "Regional Sustainability" page.

6 [www.lgib.gov.uk/policy/Woking\\_intro.htm](http://www.lgib.gov.uk/policy/Woking_intro.htm)

7 [www.leicester.gov.uk](http://www.leicester.gov.uk)

## Business can help...

9.25 Many of the measures set out elsewhere in this paper are designed to encourage action by business in general, as well as by companies in the energy generation, distribution and supply industries. Companies can also encourage action themselves - by reporting publicly on their own performance for instance, and by encouraging their customers and stakeholders to act themselves. For example:

- we have already called on businesses to report on their environmental performance, including greenhouse gas emissions, and have produced guidance to help them.<sup>8</sup> We have put forward proposals in the Modernising Company Law white paper that would require leading companies to report on environmental issues where they are relevant to an understanding of the business. We have appointed an independent group of experts to provide guidance on how directors can assess whether an item is material and would have to be included in the annual report;<sup>9</sup> and
- businesses can encourage their customers to be energy efficient. Energy suppliers for example are required to offer their customers incentives to encourage energy efficiency and should provide information about practical steps to reduce energy consumption. Retailers are working within the Energy Efficiency Partnership on how to promote more efficient products to consumers.

## Developing a consistent and coherent message...

9.26 Our consultations featured a strong message that there should be wider and more sustained public debate about energy policy. We can facilitate that at both national and local level. This means consulting about key decisions and reaching key stakeholders on a regular basis. It also requires an effective and consistent joining up of the messages on energy across Government.

9.27 The new Sustainable Energy Policy Network will accordingly **bring together a cross-sectoral group of interests to agree on consistent and coherent messages on the vision set out in this white paper.** It will include the Small Business Service, the Energy Saving Trust, Energywatch, the Carbon Trust, the Low Carbon Vehicles Partnership, non-Governmental organisations and business groups, the Environment Agency and others.

<sup>8</sup> The greenhouse gas emissions guidance and other reporting guidelines are available at [www.defra.gov.uk/environment/envrp/index.htm](http://www.defra.gov.uk/environment/envrp/index.htm)

<sup>9</sup> The Modernising Company Law white paper is available at [www.dti.gov.uk/companiesbill/index.htm](http://www.dti.gov.uk/companiesbill/index.htm)