

Implementation

Overview

9.1 In this report, we have set out a programme of action to make further progress towards our energy goals to 2020 and beyond. The proposals include measures that we will bring forward shortly, some where we will issue consultations and others where we will undertake further analysis.

9.2 We have engaged closely with a wide range of organisations as part of the Energy Review consultation. We will need continued close engagement to ensure we implement our proposals in the most effective way. Delivering secure, clean and affordable energy will need all of us to take action – business, individuals and Government.

Better Regulation

9.3 The proposals set out in this report will be taken forward in accordance with the principles of Better Regulation. These state that regulation should be:

- **proportionate** – to the risk;
- **accountable** – to ministers and Parliament, to users and the public;
- **consistent** – so that people know where they stand;
- **transparent** – open, simple and user-friendly; and
- **targeted** – on the problem, with minimal side effects.

9.4 Some of the measures we are putting forward now, for example on planning, are intended to simplify regulation and reduce uncertainty by removing costs and delays from the current system. Others, for example the proposed changes to the Renewable Obligation, are intended to deliver better ways of meeting our objectives without increasing costs to business or consumers.

Sustainable Development

9.5 The principle of sustainable development requires that social, economic and environmental costs are considered in policy appraisal so that the welfare of future generations is not compromised. Sustainable Development principles are at the heart of the four UK energy policy goals, set out in the 2003 White Paper.

9.6 The shared principles of sustainable development in the UK apply to the Government, Scottish Executive, Welsh Assembly Government and the Northern Ireland Administration. For a policy to be sustainable, it must respect all five principles:



- living within environmental limits;
- ensuring a strong, healthy and just society;
- achieving a sustainable economy;
- using sound science responsibly; and
- promoting good governance.

9.7 The policy package set out in this report is expected to reduce carbon emissions by around 19 – 25 MtC by 2020.

9.8 As individual proposals are further developed, we will address the social, economic and environmental impacts as part of relevant Regulatory Impact Assessments.

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9.9 Some of the measures highlighted in this report re-confirm government policy or describe measures that have already been announced (for example the work of the Department for Communities and Local Government on energy efficiency in buildings).

Next Steps

Carbon Emissions Reductions

Commitment to a carbon price: the Government is committed to there being a continuing carbon price signal which investors take into account when making decisions. This is particularly important given the scale of new investment required in UK electricity generation capacity. The EU ETS is here to stay beyond 2012 and will remain the key mechanism for providing this signal. The Government will continue to work with its international partners to strengthen the EU ETS to make it more effective. We will keep open the option of further measures to reinforce the operation of the EU ETS in the UK should this be necessary to provide greater certainty to investors.

Energy Efficiency

Improved Billing: we will be consulting with industry in autumn 2006, on providing historic information on electricity and gas bills and will consider further improvements.

UK Energy Performance Commitment (EPC): we will put forward a proposal for a mandatory emissions trading scheme, alongside other options for achieving our carbon reduction aims in the large non-energy intensive sector, and will invite views later in 2006.

Code for Sustainable Homes: we will announce the 5 Levels for the Code for Sustainable Homes later this year. All government-funded housing will be required to reach at least Level 3 – significantly more energy efficient than current Building Regulations.

Design for Manufacture Competition: English Partnerships (EP) will announce details of the second phase of the Design for Manufacture competition, using six sites across the country. EP will challenge the industry to build low cost, low carbon and zero carbon homes, looking at the whole developments.

We will conduct a feasibility study for delivering a low carbon Thames Gateway over the next ten years. We will explore the scope for the Thames Gateway to become a model site for developing emerging technologies, and eventually moving towards carbon-neutrality.

Review of Permitted Development Rights for Microgeneration: Department for Communities and Local Government will consult on changes to the General Permitted Development Order in the autumn. We aim to ensure that, so far as possible, all microgeneration is exempted from the need for a planning application.

Energy Efficiency Commitment: we will consult this summer on whether to extend the range of measures allowed under the third phase of the Energy Efficiency Commitment, considering microgeneration and measures that affect consumer behaviour.

Distributed Energy

Review of incentives and barriers: the Government and Ofgem will lead a comprehensive review of the incentives and barriers that impact on distributed electricity generation. This Review will report in the first half of 2007.

Foresight Project: the Government will undertake a Foresight project on sustainable energy management and the built environment. The project would consider the potential future role and relationship of centralised and decentralised energy generation in delivering the UK's long-term energy goals. In order to do this it would look at scientific, technical and economic issues including: future systems for generating heat and power that are low carbon and distributed; transmission and distribution networks; and demand management. Demand management would range from reducing use of energy in buildings through materials and intelligence, to exploring behavioural, attitudinal and information barriers to changes in behaviour. The project would report its findings in autumn 2008.

Oil, Gas and Coal

New arrangements for providing improved information and projections for energy supply: we will introduce new arrangements for the provision of a forward-looking energy market information and analysis pertaining to security of supply, led from the DTI and working with key energy market players, to bring in one place relevant data and analysis on adequacy of future energy supplies, presenting long-term scenarios of future supply and demand, and identifying in a timely fashion areas where policy may need to be reviewed.

A Coal Forum: the Government will set up a Coal Forum to bring together producers, coal-fired generators and other interested parties to help them find solutions to secure the long-term future of coal-fired generation and UK coal production.



Gas security of supply: the Government will consult in autumn 2006 with both industry and consumers on the effectiveness of current gas security of supply arrangements, their robustness as we move to higher dependence on gas imports, and if new measures are needed to strengthen them.

Investment in UK oil and gas production: the Government will work with industry to boost investment in the UK Continental Shelf (UKCS) over the next ten to fifteen years.

Electricity Generation

Renewables

Renewables Obligation (RO): we are proposing to extend the level of the Renewables Obligation up to 20%, when justified by growth in renewables; and consult on 'banding' the RO to give more support to emerging technologies in autumn 2006. If, following this, the RO is to be banded, then we will consult further on the implementation.

We will also be taking forward planning proposals that will impact on large-scale renewables projects (see "efficient and streamlined" inquiries section below), and will be monitoring the progress being made by Ofgem and the transmission companies in resolving grid-related obstacles to the growth in renewables.

Environmental Transformation Fund: a new fund will be established to support renewable energy and other non-nuclear low carbon technologies. Details will be announced in the 2007 Comprehensive Spending Review.

Cleaner coal and carbon capture and storage

Carbon Abatement Technology strategy: we will formally launch the first call for proposals worth £10m under the strategy in autumn 2006, with a focus on the pre-commercial demonstration of key components and systems to support carbon abatement technologies.

Carbon Capture and Storage (CCS): the next step would be a commercial demonstration of CCS, if it proved to be cost-effective. Following HM Treasury's recent consultation on CCS, we will do more work on the potential costs of such demonstration projects. A further statement will be made in the Pre-Budget Report.

Legal & Regulatory Framework: the Government will continue urgent work to provide the legal and regulatory basis for CCS in the UK, and to enable CCS to benefit from the EU Emissions Trading Scheme.

Nuclear

Proposed policy framework for new nuclear power: we are setting out a proposed framework for the consideration of the relevant issues and the context in which planning inquiries should be held. This framework would be set out in a White Paper to be published around the turn of the year. To support preparation of this White Paper, the Government is consulting on the proposals outlined in Annex A of this document. The Health & Safety Executive and the Nuclear Installations Inspectorate plan to issue guidance towards the end of 2006.

Planning for large scale energy infrastructure

Strategic context

Renewable generation: the Government will ensure renewables are at the heart of the forthcoming Planning Policy Statement (PPS) on Climate Change. We will consult on the draft Planning Policy Statement around the turn of the year. The new PPS will make clear that the location and design of new developments should strongly promote the reduction of carbon emissions.

CHP Guidance: the Government will publish new guidance on Combined Heat & Power, later in 2006, for applications under section 36 of the Electricity Act. It will provide more information on developers' obligations to give full consideration of opportunities to develop CHP.

Improved planning applications: the Government will consult on guidance for section 36 Electricity Act applications around the end of 2006, including information on co-operation between developers and the transmission companies about joining-up on applications.

Nuclear generation: the Government is launching a consultation on a policy framework for new nuclear build, which will lead to the Energy White Paper around the turn of the year.

Efficient and Streamlined Inquiries

New inquiry rules: the Government will introduce new inquiry rules for applications under the Electricity Act. We will consult in autumn 2006 with a view to introducing new inquiry rules in spring 2007.

Simplification for gas infrastructure: the Government will consult, in autumn 2006, on options for the streamlining and simplification of the planning process for gas supply infrastructure projects.

Predictable timings for final decision-making: the Government will undertake further work on options to ensure appropriate and predictable timings for decisions on applications for energy infrastructure. An announcement will be made later this year in the light of other cross-Whitehall work on planning.

Transport

Renewable Transport Fuel Obligation: the Government will be consulting on enhancements to the RTFO in early 2007.

EU car fuel efficiency Voluntary Agreements: we will consult with industry on options to replace the current Voluntary Agreements when they expire in 2008/09. We will explore all options including mandatory measures with trading.

Surface transport in the EU Emissions Trading Scheme (EU ETS): the Government will continue to participate in the European Commission's Review of the EU ETS and press for serious consideration of the inclusion of surface transport.