



**British Energy Association**

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## **UK Energy Policy Review**

### **British Energy Association (BEA) submission to the Performance and Innovation Unit (PIU)**

#### **Introduction**

Energy is the lifeblood of a developed economy and the BEA welcomes the Government's foresight in reviewing the UK's energy policy. In the light of the recent circumstances experienced by the people of west coast of the USA coupled with predictions that the UK could be an net importer of gas and oil by the year 2006, the BEA believes that it is essential that the Government produces a coherent and workable energy policy through to 2050. We also believe it is timely now because the year 2002 is "Rio plus 10" and there is a strong perception that the world's political leaders have done very little during these ten years to create a more sustainable future for the Earth.

The BEA is the UK Committee Member of the World Energy Council (WEC). Our aim is to represent corporate, institutional and individual members from across the UK energy sector including producers, suppliers and users. The objective of WEC is to promote the sustainable supply and use of energy for the greatest benefit of all. In pursuit of this objective, WEC published its statement Energy for Tomorrow's World - *Acting Now!* (ETWAN) in 2000. In ETWAN, WEC stressed the need to keep all options open and set out three energy goals. It is on this basis that the BEA sets out its submission using **security, affordability and sustainability** of energy as features of an energy policy. In the UK, the market has delivered improvements in all of these features but a new policy framework is required to ensure that this progress in maintained in the longer term.

The BEA believes that its recommendations will help the UK Government to develop such an energy policy compatible with WEC's principles and appropriate to the UK. The BEA feels that it can make a valuable contribution and is therefore pleased to be able to make a submission.

The **British Member Committee** of the



*Officers:*  
**Chairman - Mr. L N Chamberlain, CBE**  
**Vice Chairman - Mr. Graham Ward**  
**Administrative Secretary - Mr. Robbie R Huston**

*The objective of the World Energy Council is to promote the sustainable supply and use of energy for the greatest benefit of all.*

## **Security**

- Energy supply should be secure - i.e. individuals and business should have access to appropriate energy supplies. This is the hallmark of a developed society and economy;
- While delivery at any point in time should be a commercial operation, the users expect Government to ensure that in the long term such opportunities will continue to be available;
- To ensure that necessary investment is made, sufficient to avoid network constraints, government has responsibility to remove conflicting regulatory, planning and market barriers;
- Responsibility for the definition and monitoring of quality of supply must be with Government. Unexpected power cuts inflict a high cost for society particularly because of the growing reliance on information technologies. Furthermore quality of supply enables the use of better equipment thus leading to more efficient use.

## **Affordability**

- It should be the responsibility of Government to create conditions whereby energy is available
  - to all individuals at a price that allows them to sustain and develop their quality of life (avoidance of fuel poverty should be achieved by social measures rather than by artificially low energy prices); and
  - to businesses, that ensures that the cost of energy is not the reason for being forced into closure;
- The cost of energy should be the cheapest possible, consistent with continuity of supply and environmental obligations;
- It is the duty of Government to create long-term conditions that guard against UK energy costs being held to ransom by international, external forces. This requires diversity of supply, exploitation of indigenous sources and the fostering of appropriate international relations and trading conditions.

## **Sustainability**

- Energy should be produced, distributed and used in a manner that should not have a detrimental impact on the environment;
- The BEA is of the view that there will be increasing pressure for deep cuts in CO<sub>2</sub> emissions; the government will need to be aggressive in attacking barriers to CO<sub>2</sub> reductions, promoting appropriate investments and applying consistent regulation;
- Significant achievement in CO<sub>2</sub> reductions, without threatening the supply of energy, can only be made by pursuing a range of policy initiatives embraced by the following recommended items.

## Recommended Policy Items

The BEA is fully in line with most WEC Member Committees in believing that no energy option should be arbitrarily excluded. In particular, we recommend that the UK Government give due consideration to all four of the following areas:

- 1. The development of renewables.** Renewables contribute to diversity of supply, are indigenous and produce virtually no CO<sub>2</sub>. Currently the Government target of 10% of electricity generated by renewables in 2010 will be achieved only if there is a focussed programme to remove technical, regulatory and commercial barriers. Achievement of the target will involve a huge challenge on investment and resources. Government support should be increased to enable the achievement of commercial demonstration of a wide range of renewable technologies.
- 2. Energy efficiency and conservation.** Reducing the use of primary energy should continue to be a main strand of policy with particular emphasis on:
  - Public education
  - Energy minimisation in buildings
  - The use of CHP systems
  - Fuel efficient vehicles and transport systems.
- 3. Cleaner fossil fuels & carbon sequestration.** Fossil fuels have an important role to play in the foreseeable future. Government, in partnership with the fossil fuel industries, should pursue a programme that embraces all potentially viable cleaner fossil fuel developments. Effort should be channelled into developing carbon sequestration. The UK has the technologies and opportunities to provide global leadership on this (e.g. by the use of enhanced oil recovery programmes).
- 4. The development of nuclear energy.** Nuclear power currently generates about 25% of the country's electricity with virtually no greenhouse gas emissions, thus avoiding around 50 million tonnes of CO<sub>2</sub> (if replaced by the burning of fossil fuels). However in the next 20 years this huge saving will be lost as most of these stations close. There is a strong case that without nuclear power the UK will not be able to maintain its low carbon emissions targets. Moreover, the cost of nuclear energy, like renewables, is relatively immune to global price fluctuations and supplies. New nuclear build will need to demonstrate its economic competitiveness as a means of avoiding CO<sub>2</sub> emissions compared, for example, with carbon sequestration. Market regulation will have to allow for long-term contracts in order to generate investment confidence. Political leadership is required to resolve the waste management issue and sufficient licensing capacity must be available to apply newly available overseas technology in the UK. Development of a new UK nuclear programme must be taken carefully and must not be a UK-stand alone programme.

## Conclusions

1. The Government must develop and promote its own vision of the long-term, optimum energy mix for the UK, creating a framework of consistent policy and regulation within which the commercial market can operate to maintain competitive energy prices and security of supply without compromising the environment.
2. Tools at the Government's disposal, all of which must be used in a co-ordinated manner to fulfil policy objectives, are:
  - Taxes
  - Subsidies
  - Licences
  - Planning regulations
  - Environmental regulations
  - Market regulations
  - Research and development funding
  - Educational programmes
  - Public/political leadership.
3. Any use of taxation or subsidy has to be seen to be fair and logical e.g. exemption from the Climate Change Levy of all CO<sub>2</sub> free energy production, and that all forms of energy production should move towards meeting their full environmental cost.
4. There are particular, specific roles for government in:
  - The development of renewables
  - Energy efficiency and conservation
  - Cleaner fossil fuels and carbon sequestration
  - The development of nuclear energy.