

The UK Energy Review

Energy Action Scotland

Comments are invited on the PIU scoping note, setting out the basis for the work which will be undertaken as the UK review of energy policy. There are two parts to the response that Energy Action Scotland (EAS) would wish to make, the first is the areas covered by the review as outlined on page one of the scoping note and the second is general comment on the existing activities by Government and others outlined on page three of the note.

1 Topics outlined, these are:

A) Managing Potential Conflict with Environmental Objectives

Meeting the long-term targets for emissions reductions, whilst ensuring future projections for energy demand are met, will require fundamental changes in energy and fuel markets, the management of energy demand, the development of new technologies, and infrastructure and policy;

Ensuring Continued Security and Diversity of Energy Supplies

Over the long-term, including ensuring appropriate investment incentives to maintain sufficient spare capacity to be able to cope with supply shocks, especially within the regulatory regimes for the energy utilities;

and

C) Managing Potentially Conflicting Policy Goals for Energy Prices

Higher energy prices could be a potential instrument for advancing environmental objectives, but they are in potential conflict with fuel poverty and industrial competitiveness objectives.

EAS, as a fuel poverty group, has obvious interests and expertise in the final topic area, but also draws links to the fuel poverty issues across the listed topic areas. While it is stated that fuel poverty is being examined and tackled by a separate review EAS would argue that the process of joined up action means taking cognisance of all inter-related policies or topics when making decisions about the long-term planning of energy resources.

A) Managing Potential Conflict with Environmental Objectives

- A1) The long-term change in energy use, whether in transport or in a domestic setting, will not only be dependent on changes to the energy markets and new technologies but also on consumer confidence and behaviour. It may be possible in house construction, it is already possible to build new homes that do not require any form of heating but as the technology has not been widely embraced by house builders and as the price is in excess of current expectations little advancement has been made in raising building standards to this level.
- A2) The scoping paper seems to assume that someone else will influence these linked areas. This review can do much to influence what the transport and construction industry does in relation to making and enforcing new and higher standards. The end users, particularly those who are economically disadvantaged, have little means of applying pressure to force higher

standards, they rely on others to do this for them. These disadvantaged groups simply need the end product, their primary concern, for example is a heating system that works and will provide warmth, is not how efficient that system is and the level of gaseous emissions derived from its use. That concern is for others, perhaps the landlord who provides the home or the finance house who are providing the loan for the purchase of the heating system.

- A3) The built form of the home too will impact on the energy use and the siting of the home may limit the type of fuel used for heating, cooking etc. It may therefore be economically unviable to deliver gas to many areas which would benefit from this type of fuel. Demand side management then becomes more important in limiting the rise in fuel use. The advancement in solar technologies could, if properly resourced, lessen the burden of fuel use on each home within the country. The promotion of energy demand measures such as high efficiency heating systems and new solar technologies would lessen the potential conflict with environmental objectives. New building regulations aimed at a higher level of energy efficiency not only in new build but in renovations and conversions also have a big part to play in determining future levels of domestic fuel use.

B) Ensuring Continued Security and Diversity of Energy Supplies

- B1) If current policies in this area remain unchanged then the risks outlined are very real. Currently many householders have a choice of fuel for their needs, this choice is made having account of availability, running and capital costs and of course the individuals own prejudices or preferences. If security of supply in particular can not be guaranteed then this choice may be removed or reduced. If the UK becomes over reliant on imported fuels, gas or electricity, then any break in security leaves the country, industry and the individual at risk of having, at worst no supply and a best limited choice of supply. This security is also important on price paid for individual fuel types.
- B2) It is therefore important that current policies and initiatives on the promotion of domestic renewable energy sources be reviewed as part of this review. Here again is an area where disadvantaged groups have little or no choice in fuel type and will be forced to use the fuel of their landlords choice. Fuel switching to prevent over reliance on a certain fuel type must be examined both in terms of generating capability and for individual use for heating. This diversity of supply may mean keeping a number of our coal burning stations in a generating capacity out with their expected life span. This would counteract breaks in supply and provide some security, however as the additional PIU scoping paper on coal discusses the investment in clean coal technologies would need to be substantially increased if the reduced emissions agreed under the Kyoto protocol are to be achieved.
- B3) However links to other UK policy areas could be important in reducing the reliance on imported energy supplies and not just reduced demand through traditional energy efficiency measures. Each devolved administration has the responsibility for housing standards and these can be increased to levels where minimal levels of fuel are required to run the individual home. As the UK government has signed up to Rio and Kyoto, this review should seek to sign up the devolved administrations to act in raising standards to minimise the fuel use for transport and domestic use to levels below the generation capacity of each individual country.

C) Managing Potentially Conflicting Policy Goals for Energy Prices

- C1) Higher prices for fossil fuel consumption would not necessarily reduce consumption, the

government has seen similar actions in petrol and diesel show that the market takes little action and is not, by and large, price sensitive to a point where less petrol is sold or less miles are travelled. The imposition of VAT on domestic fuel was first proposed as a means of reducing consumption and secondly a way of raising taxes to pay for environmental improvements. Neither was the case.

- C2) The continuing trend of forcing fuel prices down does little to stimulate growth in the energy efficiency industry and markets and is unsustainable in the long term. EAS has already seen levels of customer service reduce and believes that this will continue if current trends remain unchanged. If trying to raise taxes or fuel prices for electricity generated by fossil fuel burning plant is seen as a means of encouraging alternative-generating systems then it ignores the availability of the interconnector with Europe.
- C3) Suppliers will be unwilling to pay the higher costs associated with clean or green energy and would turn to sources of energy generated abroad and import this. Generators may not then be in a viable operating position and with no incentives to build new cleaner generating plant, either to close or move elsewhere to generate and export energy to the UK. This in turn reinforces the reliance on imported energy. Therefore suppliers and generators need the financial incentives that will allow for the building of a clean/green generating plant which can supply fuel at the right price to the consumer. As many of the generating stations have a life expectancy which is due to end within a generation this problem is a very real one and should be addressed in the review. While the UK as a whole is becoming less of a heavy goods industry as is illustrated by the closure of steel and smelting plant. The newer technologies do carry a demand load which can be substantial and a undue rise in overheads such as fuel costs may make these industries uncompetitive with overseas manufacturing bases and lead to a loss of jobs and a further down turn in the economy.
- C4) Those who live in fuel poverty will always be the first to be disadvantaged by higher fuel costs when they have little opportunity to improve their living environment. They often reside in areas of poor house construction and pay an already disproportionate amount of their income on fuel. Even previous government energy efficiency grant schemes, providing loft insulation etc have not increased the energy rating of the dwelling to a level where fuel costs become affordable. Higher fuel prices alone will not deliver environmental objectives. They must be matched with higher building standards, energy efficiency grant schemes which deliver appropriate baskets of measures to all house types, incentives for generators to invest in new and clean/green generating plant and increased public awareness of the issues.

2 Existing Activities by the Government and Others.

While energy efficiency and fuel poverty issues are widely discussed and accepted by a range of Government departments there is still little evidence of joined up thinking and action. The current list of initiatives contain many new initiatives and it will be how these are delivered that will gauge their ultimate success. Currently schemes such as New HEES (now the Warm Front) and EESOP (soon to become EEC) work in many respects against each other, they compete for the same client group and deliver the same measures. Neither scheme offers real assistance to those who stay in non traditional house types which make up a sizable sum of the UK's total housing stock.

The role of Devolution is one which has many possibilities for providing innovative solutions to energy efficiency in each country of the UK but also provides an opportunity of fragmentation of effort and direction. The UK Government must actively engage with the devolved Assembly and

Parliaments to ensure that the wider energy picture is seen by all.

3 In Conclusion

EAS welcomes the review, but believes that it should examine closely the role of energy efficiency and housing standards as an important part of determining the future fuel requirements of the UK. The review should more actively engage the devolved administrations and seek active participation from the fuel suppliers and generators along with the energy efficiency industry and voluntary sector?