

# The Zero-Carbon Switch: Joint Manifesto for Renewables



A sustainable policy agenda  
for 2020 and beyond



# Introduction

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Renewable energy is a central political issue. The questions of how best to tackle climate change, secure our nation's energy supplies and develop a low-carbon economy have thrust sustainable, distributed energy up the political agenda.

The UK is already committed to ambitious targets for generating 15 per cent of all our energy supplies from renewables by 2020, up from about 2 per cent today – that is a seven-and-a-half-fold increase in a decade.

Such a dramatic growth in our zero-carbon supply will require an enormous investment in new technology, the development of new network infrastructure, and a fiscal and regulatory regime that seeks to actively encourage renewables development.

The UK has an urgent need to act. The emerging scientific consensus is that unless global temperature rises are stabilised below 2 per cent within the next decade the world will face catastrophic and irreversible climate change. A third of our aging electricity generation plant is due to be retired over the next 10–15 years, and the vast majority of fuels for heating and transport are from fossil sources with volatile prices. With our abundant natural resources and history of manufacturing, Britain is placed to seize this opportunity to recreate its industrial base and develop a thriving low-carbon economy.

Over the last decade renewable energy has moved from the margins of the UK's energy supply to become a central part of Britain's energy mix. Our industries generate around 2 per cent of the UK's energy, and wind power and hydropower alone accounted for £2.2 billion in turnover and over 7,000 employees last year. Around the world renewables now represent the fast-growing forms of industrial investment, with 56 per cent of all new global power generation capacity investment in 2008. There was more renewable energy plant built in the EU in 2008 and 2009 than all new fossil generation combined. This trend is set to continue indefinitely. Over the next decade our industries together will invest over £100 billion in the UK, and create thousands of jobs.

This summer the Government will produce a National Action Plan for delivering the 2020 targets. Continuing the political consensus around key elements of the recent Renewable Energy Strategy is vital to secure our clean energy future, but still more will be needed if the UK is to fulfil its potential.

## **Making the Zero-Carbon Switch**

If Britain does not take the opportunity of the next decade to switch to renewables and other forms of low-carbon, decentralised generation, then we will be locking ourselves into another 40 years of fossil-fuel generation.

Britain needs a new proactive energy policy that continues to promote investment in sustainable energy. At a time of economic austerity it would be all too easy for a new Government to decide that it is not the right time to make this switch, as the initial capital investment in renewable plant will be greater than traditional forms of power generation from fossil fuels. However, such a decision could be a devastating mistake for the UK, and for the country's energy consumers.

This document sets out 12 proposals that will help to secure delivery of the 2020 targets and make the zero-carbon Switch. They represent the key policy priorities of the renewable and small-scale low-carbon trade associations, which together cover virtually all forms of renewable power, heat and fuel generation in the UK.

# The Sectors

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Meeting the UK's ambitious 15 per cent renewable energy target by 2020 will require action across all three energy sectors.

## Electricity

Today approximately 6 per cent of all the UK's electricity comes from renewable sources; within a decade this needs to rise to 35 per cent or over 40GW of installed capacity. However, in order to achieve this, a range of policy issues needs to be tackled, including streamlining the planning service, a reconfiguring of the grid network and training a new generation of skilled engineers.

## Heat

Heat from renewable sources, such as wood fuels, recovered resources and other biomass, geothermal, solar, and ambient energy available from the air, water and ground contributes less than 1 per cent at present. Most of this is accounted for by industrial biomass use. Its contribution is anticipated to reach 12 per cent by 2010.

A radical new policy – the Renewable Heat Incentive – is due to be implemented in April 2011. This should provide, for the first time, a stable framework within which these technologies can grow.

## Transport

The Renewable Energy Directive contains a sector-specific target of 10 per cent of road transport energy being from renewable sources by 2020. Although electric vehicles and new technologies will have a role to play in the longer term, the vast majority of this target will be met by existing biofuels. Biofuels will only be supported if they meet conditions on sustainability and offer a significant greenhouse gas saving compared to fossil fuels.

The Renewable Transport Fuel Obligation was introduced in April 2008 – the current target is for biofuels to make up 3.5 per cent of road transport fuel. The 10 per cent energy target translates to around 14 per cent by volume, so there needs to be a major ramp-up.

# The Policy Choice

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Over the next 10 years the private sector will invest over £100 billion pounds in developing the UK's enormous green energy potential.

However, in order to unlock this, the next Government needs to lay out a clear policy framework, with robust and stable financial support mechanisms to provide investor confidence.

The organisations supporting this statement, which represent the overwhelming majority of businesses involved in renewable energy in the UK, call on all political parties to commit themselves to the following 12 key policies for the next Parliament.

## **Provision of strong leadership and delivery, combined with a long-term stable investment framework**

Strong leadership is essential in the current economic circumstances. There must be cross-party consensus, where possible, to ensure there is a long-term stable investment framework, including the Renewable Heat Incentive.

## **Reform of the regulatory regime to ensure delivery of low-carbon measures and to enable investment for a significant expansion of renewable energy by 2020**

The current regulatory regime was not designed to facilitate the massive investment that is required to make the Green Switch and modernise Britain's energy infrastructure. The regulator should actively encourage the development and connection of renewable generation, including heat technologies. We believe that the next Government should commit to working with the renewables industry and the wider energy sector to develop a long-term and coherent market framework to deliver the diversity required for a secure and low-carbon future.

## **Laying out of a clear pathway for the expansion of renewable energy generation up to 2050**

The 2020 renewable energy targets have created great momentum and provided a clear signal to the market of the Government's commitment. However, it is less clear what the vision for the UK's energy mix is after 2020, and the various actors will need guidance in developing their own investment strategies. We believe that the next Government should set out realistic renewable energy targets to sit beside the CO2 reduction targets up to 2050.

## **Commitment to the roll-out of a smart grid network by 2030**

The Government has already committed to a roll-out of smart meters by 2020 – however, in order to truly empower consumers, take advantage of this technology and properly integrate many of the larger renewables, this needs to be accompanied by a move to a smart grid network. We believe that the next Government should commit to delivering a smart distribution network by 2030.

## **Ensuring that the Local Development Frameworks conform with national planning policy, including the 2020 targets**

The reforms of the Planning Act 2008 have been welcomed by the industry, however, the cumbersome nature of the planning regime remains a major obstacle to the expansion of renewable energy. Many good local schemes remain stuck in planning even though the need for them is clearly laid out in national policy. While local communities must retain the right to make local planning decisions they should have to conform to the democratically drafted national planning policies – including those that incorporate the 2020 renewable energy targets. The next Government should ensure that LDFs conform to National Policy Statements.

## **Development of a strategic plan for the delivery of key energy infrastructure**

The proposals laid out by the Government/Industry/Regulator taskforce, the Electricity Networks Strategy Group (ENSG), for a broad-brush plan for grid upgrades is very welcome – however, there is no single body tasked with ensuring its delivery. For heat there is still a lack of capability at a local level to drive the development of heat networks and no clear pathway to unlocking the finance needed for this vital sustainable energy infrastructure. We believe that the next Government must urgently develop a strategic plan for the provision and funding of the new energy infrastructure the UK requires, including the widespread development of local heat distribution networks,

appropriate support for the gas grid and its infrastructure, and restructuring of the electrical grid to support widespread use of renewables.

**Introduction of a streamlined and properly funded accreditation scheme for microgeneration and small systems technologies**

Many small and microgeneration manufacturers struggle to bring their new product models to market as a result of the complex and potentially expensive accreditation and testing regime. We believe that the next Government should properly fund the testing centres so that small-scale suppliers are not faced with prohibitive costs when trying to bring their goods to market. Likewise, Government should look to support new Installer Company entrants to the MCS scheme with appropriate training and support.

**Establishment of a national business rate relief scheme for renewable energy schemes**

The proposed revaluation of business rates could have a very significant impact on the viability of certain forms of renewable energy, especially hydro and onshore wind, with increases of up to ten times in some cases. We believe that the next Government should follow the example of the Scottish Executive and introduce a national business rate relief scheme for renewables.

**Improvement of access to funding for employers to provide vocational training places**

There is a desperate need for a new generation of skilled technicians and engineers for large renewables and for trained installers for small and micro products. Although there are significant amounts of funding available for training places, accessing these from the array of different training bodies can often be difficult, confusing and frustrating for employers. We believe that the next Government should rationalise the funding streams to create a coherent funding pathway for vocational training places.

**Ensuring that any publicly backed Green Investment Bank effectively facilitates an improved flow of public and private capital**

The credit crunch has hit many renewable schemes hard – even those that remain a good investment with little risk of default have seen private capital run dry over the last year. We welcome the creation of a 'Green Investment Bank', however, care must be taken to ensure the new institution does not compete with private lenders but instead works in partnership. We believe that its roles should be to facilitate improved flow of private capital and provide vital advice to Government of the impact of policy changes on the availability of finance.

**Introduction of Government-backed low interest loans for initial capital costs of heat and microgeneration technologies**

The new Feed-in Tariff and the planned Renewable Heat Incentive should make a real difference to the uptake of on-site renewables and microgeneration by households and businesses. However, these products still represent a significant financial outlay, especially at a time of economic difficulty. The successful Feed-in Tariff in Germany was accompanied by a system of low-cost loans to consumers for installation. We believe that the next Government should introduce low-cost loans to cover the capital costs of installing micro and small systems.

**Creation of a coordinated mechanism to deliver energy efficiency**

Energy efficiency will play a key role in the energy future of the UK – it helps to tackle both carbon emissions and fuel poverty and, combined with smarter networks, will enable better use of our existing resources as well as the energy resources of the future. We believe that the next Government should put in place a framework that allows every householder to easily access high-quality advice and finance for investments to reduce their energy consumption.

