

# The DTI's Energy Review Report 2006

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This is the third Government publication on the national Energy Policy in just over four years and for the first time there is some sign of positive action by the Government to recognise and solve the main problem, which is to ensure the security and reliability of the national electricity supply for industry, commerce and domestic use. In other words, to keep the lights on.

The first of the three policy statements was published in February 2002 by the Policy and Innovation Unit in the Cabinet Office. This was a comparatively workmanlike document which contained some illuminating statements such as "the history of energy reviews is littered with failed attempts to forecast the use of fuels", and the authors admitted that this review "is unlikely to be an exception".

The PIU report was followed in 2003 by the Energy White Paper which set out four objectives which the Government sought to achieve. These objectives were to cut CO<sub>2</sub> emissions by 60% by 2050, to maintain reliability of energy supplies, to promote competitive markets in the UK and beyond, and to ensure adequate and affordable home heating. But however commendable these goals might be individually, in practice they were likely to be mutually incompatible. For instance cheap electricity was not necessarily a sensible long term policy. By driving down the price of electricity for the consumer there was less income for the generators to invest in new plant which would ensure continued security of supply from our ageing power stations, and there was no other incentive for

them to do so. Today that lack of investment in new plant has become a major problem.

This latest energy review is entitled *The Energy Challenge*<sup>1</sup> and again appears to be more of a wish list than to define a positive plan of campaign.

The Foreword written by the Prime Minister does however contain some realistic observations which mark positive steps in the right direction. It does recognise the importance of a secure supply of energy and says that "without it we could not function as an economy or modern society". It puts energy security as the first of the "immense challenges" we face as a country and it also recognises that the complete solution will depend partly on building "new nuclear power stations to replace those becoming obsolete". Serious energy engineers and analysts have been saying this for years. Had their advice been taken at the time we would now have the people and the infrastructure in place to do this work. But today the reality is that we will have to buy much of the nuclear expertise and equipment from abroad, in an industry which we pioneered and were once among the world leaders.

In the preface by the Rt Hon Alistair Darling MP he highlights the need to get the right incentives to encourage investment in low carbon options, and he also recognises the particular problem of getting planning consent, a problem which in the past has dogged and delayed the building of new transmission lines and new power stations such as Sizewell B. He concludes "it is time to overhaul the present planning system".

The Energy Challenge starts by committing the Government to the European Emissions Trading Scheme (ETS) which it believes to be the incentive for energy efficiency and for investment in low carbon technologies. The Government wishes to "ensure (it) develops into a credible long-term international framework".

A more realistic ambition is the challenge to use less energy. This is where we can all contribute. One encouraging statement is the objective to reduce the energy used in Government buildings, "we aim to make the central Government estate of buildings carbon neutral by 2012". For buildings alongside a river this could probably be done by using a heat pump, but if the Government is relying on solar panels and a windmill on the roof they may find this objective difficult to achieve.

The signals for new nuclear build are at amber if not yet at green. The Government promises "a clear statement of

our position on new nuclear build" and to address potential barriers to new nuclear build.

The Government also believes coal has a role to play in the energy mix, having realised that last winter more than half our electricity was generated from coal. But our coal fired stations also suffer from a lack of long term investment.

The failure of the Government's present energy policy has been criticised in the House of Lords "the electricity supply industry, since privatisation, has been without leadership reacting only to external stimuli which masquerade as the discipline of a free market". Those looking for leadership from the Energy Challenge may still be disappointed. The Government should be taking giant strides towards their objective; the Energy Challenge is just a small shuffle.

<sup>1</sup> The Energy Challenge. Energy Review Report 2006 (DTI Cm 6887 July 2006)