

# **Statement by the Rt Hon Alistair Darling**

**MP**

**Secretary of State for Trade and Industry**

**23 May 2007**

1. With your permission Mr Speaker, I should like to make a statement on the Energy White paper and the consultation on the future of nuclear power which I am publishing today.
2. Copies of these together with a number of other accompanying papers are in the Vote Office.

3. Mr Speaker, as I said last year, we face two big challenges: first the need, with other countries, to tackle climate change by cutting greenhouse gas emissions, and second to ensure we have secure and affordable energy supplies.

4. Both are vital for our future prosperity. Both are global issues, calling for action internationally as well as action here at home.

5. Mr Speaker, the evidence supporting the need for urgent action on climate change continues to mount. Sir Nicholas Stern's

report last autumn underlined the importance of acting now and together with other countries. If not tackled, climate change poses catastrophic humanitarian consequences and economic costs.

6. Meanwhile, world energy demand continues to grow. It is expected to be 50% higher by 2030 than it is today and is likely to be met largely by fossil fuels for some time to come. This means rising greenhouse gas emissions and greater competition for energy resources which has massive implications for both climate change and security of supply.

7. Here in the UK, our reserves of oil and gas are declining. While significant amounts still remain in the North Sea, production has hit its peak and is now falling. As we make clear we will make the most of the reserves we have, but as our economy grows, we will become increasingly dependent on imports in a world where supplies are concentrated often in less stable regions. We need to take action to manage the risks this brings.

8. Over the next few years, energy companies will also need to replace

ageing power stations and other infrastructure. So we need to create the right conditions for this investment to get timely and increasingly low carbon energy supplies.

9. The White Paper sets out a long term framework for action to address these challenges at home and abroad.

10. It sets out our international strategy which recognises that we need to tackle climate change and energy security together. Influenced by the UK, the European Council has agreed to a new

strategy, including commitments to competitive markets, cuts in greenhouse gas emissions, more renewable energy and a central role for the EU Emissions Trading Scheme as the potential basis for a global carbon market.

11. We also need to influence the wider international community, notably in getting a consensus on the post 2012 Kyoto Framework for reducing greenhouse gas emissions.

12. The White Paper also sets out the measures we are taking here at home. We

have already published a draft Climate Change Bill which for the first time would impose a legally binding duty on government to reduce the amount of carbon that is produced, as we work towards our target of achieving at least a 60% reduction in carbon emissions by 2050 – we are the first country in the world to do so.

13. Mr Speaker, faced with these challenges, more is needed. The first priority must be to save energy. So the White Paper sets out a range of measures

to help us become more energy efficient and cut energy use.

14. Consumers need better information as to how they can save energy. Next year and the year after any householder who asks for them can get free, visual real-time displays of how much electricity they are using. In parallel, we will work with the industry to ensure that consumers have visual displays together with smart meters in ten years. In addition, better and clearer energy bills will help.



15. Mr Speaker, it is estimated that leaving electric appliances on standby uses about 7% of all electricity used in UK homes. That's equivalent to the electricity generated from two 600 MW gas fired power stations or more than 1500 2MW wind turbines.

16. So we will work with industry and others to improve the efficiency of domestic appliances, to phase out inefficient goods and limit the amount of stand-by energy wasted.

17. If we are to make a real difference in reducing energy demand we need a stronger obligation on energy companies to provide their residential customers with energy saving measures.

18. So the white Paper proposes that from next year they double their current effort and from 2012 we aim to transform the way in which they see their relationship with their customers shifting the focus to the provision of energy services, increasing energy efficiency and saving carbon in the home, rather than simply selling them gas and electricity.

19. We will also require big organisations like supermarkets, banks or hotel chains and large public sector organisations to limit their emissions and set tougher standards for the homes we build and the products we buy.

20. We need more low carbon generation of electricity and heat. We want to encourage the enthusiasm of individuals and communities to generate their own energy locally, such as homes or schools for example through solar panels and wind turbines.

21. We are therefore bringing forward a range of measures to support this approach. As part of this, we will be removing barriers and simplifying licensing so that more communities can follow the example of Woking, including for example by developing combined heat and power schemes.

22. But we still need large scale energy investment. Over the next 20-30 years we will need new generating capacity equivalent to over 1/3<sup>rd</sup> of our existing capacity.

23. Our aim must be to ensure that companies have a wide range of options available so we can retain a diverse energy mix, which is good both for our security of supply, and to help us to move to an increasingly low carbon economy.

24. Renewables are of crucial importance. So we are strengthening support for renewable electricity. The reform to the Renewables Obligation, is essential, and will mean that by 2015, which we expect that around 15% of our electricity supplies will come from renewables – triple the

amount we have today - in just eight years.

25. In transport the road transport fuel obligation will save a million tonnes of carbon a year. We want to double it if we can be satisfied that it is sustainable to do so.

26. New technologies will also help. We want British-based business to be at the forefront of new green technology which is why we set up the Energy Technologies Institute bringing public and private

investment together now with a minimum budget of £600 m.

27. We will launch a competition for the demonstration of carbon capture and storage – which has the potential to reduce carbon dioxide emissions from fossil fuel power stations by as much as 90%, which is important as we will rely on gas and coal power, including coal mined in the UK for some time to come. Details are set out in the White Paper.

28. Mr Speaker, we want to save energy. We want low carbon sources of energy

which is why we will do everything we can to encourage renewables like wind and wave and tidal power. But that alone will not be enough if we are to minimise our costs and risks.

29. Alongside this White Paper, we are publishing a consultation document on nuclear power so that we can take a decision on whether companies should have this option when making their investment decisions.

30. We have reached the preliminary view that it would be in the public interest to



allow energy companies to invest in nuclear power. But before we make our decision we are consulting further.

31. The White Paper makes clear the complexities of the challenges we face in terms of climate change and energy security. There is no single answer to these challenges.

32. We believe that there needs to be as wide a choice of low carbon options as possible so that we don't become over reliant on any one form of electricity generation.

33. Nuclear is an important part of our energy mix at the moment. We currently get about 18% of our electricity from nuclear power stations which are a low carbon form of generating electricity.
34. It provides a regular and steady supply of electricity whereas electricity generated from most renewables is by its very nature intermittent. And every year a modern nuclear reactor saves 2.5 million tonnes of carbon dioxide being pumped into their atmosphere compared with an equivalent gas-fired station.

35. Most nuclear power stations are set to close over the next ten to twenty years at a time when we know demand for electricity is going up because of economic growth.

36. Quite simply in the public interest we need to make a decision this year on whether we should continue to get some of our electricity from nuclear because new stations take a long time to build.

37. If nuclear is excluded there is every chance that its place would be taken by

gas or coal generation which of course emit carbon. Yes, carbon capture and storage, if it can be developed, would help. But at this stage we cannot be certain of that. There is no commercial scale operation of CCS on power generation anywhere in the world.

38. And although we want to get more renewable energy as part of the mix, it too is controversial. There are over 170 applications in the planning process at the moment.

39. It will be for the private sector to initiate, fund, construct and operate new nuclear plants and cover the cost of decommissioning and their full share of long-term waste management costs.
40. There are important issues to consider including the question of waste. They are considered in the consultation which will run until October.
41. Mr Speaker, our measures, including those in this White Paper, put us on track to make savings of carbon emissions of between 23-33 million tonnes of carbon

(MtC) by 2020. Put another way if we meet the upper end of this range this would be the equivalent of removing all the emissions that we get from every car, van, lorry on Britain's roads today.

42. By saving energy, encouraging new timely investment in gas import and storage infrastructure and maximising recovery of UK reserves of oil, gas and coal, our measures will also help security of supply.

43. We cannot become a low carbon economy in a single step. Further

measures will be needed if we are to achieve our long term goals and in the light of further international agreements, in Europe and more widely.

44. The White Paper sets out a framework for action to enable us to make real progress now toward tackling climate change and ensuring secure and affordable energy supplies.

45. I commend this statement to the House.

**1,847 words**

**Ends**