

The DECC Review provides a monthly roundup of news and activities from across the Department.

In May, the Secretary of State, Edward Davey, announced the draft Energy Bill with measures to reform the UK electricity market.

We introduced new regulations for the Feed-in Tariffs scheme to make them more predictable for consumers and businesses.

Also in May, our Head of International Stakeholder Engagement, Summer Nisar, explored whether climate change is no longer fashionable in her recent blog.

In the spotlight this month is PILOT, our government and industry forum for the oil and gas industry. And you'll also find our usual roundup of news bites and consultations.

As always we welcome your comments and suggestions, so please [contact us](#).

## The Future's Bright

*Electricity Market Reforms - low carbon energy for the 21 Century*



Keeping the lights on, consumers energy bills down and creating cleaner electricity to help tackle climate change, are the three goals of the ambitious draft electricity market reform legislation published on 22 May.

The reforms are designed to provide investors with transparency, longevity and certainty in order to attract £110 billion of investment to bring forward

new low-carbon power generation for the 21st Century.

Over the next decade, around a fifth of our existing power generating capacity will close. Without these reforms, we would be more dependent on importing oil and gas from overseas, potentially exposing the UK to un-secure energy supply, geopolitical risks and price fluctuations, which directly impact the consumer in their bills.

“By reforming the market, we can ensure security of supply for the long-term, reduce the volatility of energy bills by reducing our reliance on imported gas and oil, and meet our climate change goals by largely decarbonising the power sector during the 2030s”, said, Secretary of State, Edward Davey.

The draft Energy Bill proposes radical reform designed to encourage

a balanced portfolio of renewables, new nuclear and fossil fuels with Carbon Capture and Storage, and to ensure that these technologies can compete fairly in the market-place.

In addition to this, the National Grid is to be appointed as the delivery body for the reforms. The Bill will also improve regulatory certainty by ensuring that the Government and Ofgem are aligned at a strategic level through a Strategy and Policy Statement, as recommended in the [Ofgem Review of July 2011](#).

Access the following links to find out more about:

- [Electricity Market Reforms](#)
- [The Energy Bill](#), and
- [The draft Energy Bill - official document](#).

# Certainty for Solar

*Changes to FITs make UK solar power a bright prospect*

Following detailed **consultation** with industry and consumers, on 24 May, we introduced regulations to put the **Feed-in Tariffs (FITs) scheme** on a more predictable, certain and sustainable footing for householders and businesses.

The FITs scheme provides a subsidy paid for by all consumers through their energy bills, enabling small scale renewable and low carbon technologies to compete against higher carbon forms of electricity generation.

The Government sees a bright future for UK solar and expects to reflect the growing role of solar power in the UK's energy mix in its updated **Renewable Energy Roadmap** later this year.

To this end we've also launched a solar PV cost reduction taskforce in partnership with industry to help drive down costs faster while maintaining safety and standards.

## Changes to solar Feed-in Tariffs:

- **16p/kWh for household scale solar pv installations to reflect fall in cost of the technology, delivering a return of about 6% for a typical installation.**
- **Tariffs for larger installations also to be reduced to reflect cost reductions but with most tariff cuts lower than proposed in February.**
- **Reductions to apply to new installations from 1 August, instead of 1 July as proposed, in recognition of low uptake from 1 April and providing time for industry to adapt.**

Speaking at the launch Energy and Climate Change Minister, Greg Barker, said: "We can now look with confidence to a future for solar, which will see it go from a small cottage industry, anticipated under

the previous scheme, to playing a significant part in Britain's clean energy economy.

A sentiment shared by Alan Aldridge, Chairman of the Solar Trade Association. "Despite the currently slow market, the industry can have some confidence that the new Tariffs are tight but workable. Householders should be reassured the new Tariffs will provide more attractive returns than can be found elsewhere today. The STA is now keen to work with Government to get this positive message out", Mr Aldridge said.

We also welcomed plans brought forward by the Building Research Establishment and Cornwall Council to set up a National Solar Centre in Cornwall.

"The FITs scheme allowed many people across Cornwall to learn about renewable energy, especially solar power, and Cornwall would



welcome the establishment of a new National Solar Centre that will be at the heart of the bright future for PV in the UK", said Cllr Alec Robertson, Leader the Council.

The range of changes to the FITs scheme will come into effect from 1 August to provide better value for money and allow businesses and householders to plan with confidence.

For more information visit the **FITs pages** of our website, which includes a **frequently asked questions section**.



# Protect the Planet - Are you in?

On 25 May, DECC's Head of International Stakeholder Engagement, Summer Nisar, posted her first blog 'Birds never make nests in bare trees' from the United Nations Framework Convention on Climate Change, which led to her call to action follow up blog - 'Are you in?'



India – devote a lot of time, money and political capital towards achieving global action. Why?...Because they share a common desire to prevent the damaging effects of this most unpredictable and potentially devastating spectre.

Climate change may no longer be a fashionable thing to talk about or have an interest in. In fact, it seems to have gained 'Marmite' status around the world.

But whether or not you believe in it, and there are plenty in both camps at any given point in time, it's worth noting that **194 developed and developing countries around the world** – including the UK, the US, the rest of Europe, China and

It's not just about governments and other countries though. Many faith groups, NGOs, businesses (including FTSE 100 members), youth organisations, celebrities, sports personalities and members of the public also get stuck in to the issues to help shape the political and commercial arguments for action....

Well, you've got to be 'in it to win it', right?

I'm not going to preach or moralise about corporate and social responsibility. Or offer platitudes and

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“...see  
what a huge  
difference one  
small change  
can make.”

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thoughtful prose about helping one's fellow man, the future generations or any of that stuff. I completely accept and respect an individual's right to choose what they do or don't care about, or want to get involved in.

But, someone you know, follow, respect or admire will be interested and will be taking action. Maybe not in a huge way, but they're still doing something about it. And it all helps.

I'd encourage you to speak to them. Join them in their efforts.

**Take some tips from here** to see what a huge difference one small change can make.

Ah go on, give it a go. What harm can it do?

For more information and updates on what we're doing on climate change, follow us on our 2 degree limit twitter account [@2degreelimit](#).



# DECC By Numbers

*We produce a variety of statistics covering the full range of our responsibilities including: climate change, energy, and social research. Below are a few achievements from the past year.*



## Power On

During 2011-12 DECC ministers consented nine applications for power stations in England and Wales representing 3703MW of capacity, which could provide 5% of the 60000MW of electricity the UK demands on a cold winter evening. This comprised 2400MW of gas, 245 MW of wind, 950MW biomass, 108MW multifuel (biomass and energy from waste) and a dry fuel store at Sizewell B. Other applications determined during the period include a small tidal generator, gas infrastructure and overhead power lines.

## Cosy Homes

This year, our **Warm Front Scheme** - which provides assistance to the poorest households by helping to install heating measures and insulate their homes - assisted over 24,000 low income and vulnerable households living in energy inefficient housing with advice, heating and/or insulation.

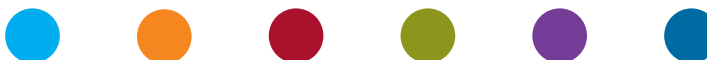
## Coal Health

During 2011-12 DECC settled the last of the remaining claims in the **British Coal Respiratory Disease Litigation Chronic Obstructive Pulmonary Disease Compensation Scheme**. The scheme settled over 591,000 claims and paid out nearly £2.4 billion in compensation to ex-miners with chronic obstructive pulmonary disease.

## Record Breaking

The latest North Sea licensing round for oil and gas drilling has broken all previous records for the number of applications received. A total of 224 applications have been submitted for the 27th Licensing Round covering 418 blocks of the UK Continental Shelf, the largest number since offshore licensing began in 1964.

You can find more DECC statistics on our [website](#)



# In the Spotlight

*We chat with Bill Cattanach, Head of PILOT Secretariat and Industry Development - our forum promoting continued dialogue between government and the oil and gas industry*



## *What makes PILOT such an important part of DECC's work?*

The UK's oil and gas sector provides almost half of the UK's energy and is by far the largest single industrial UK investor. Directly and indirectly it supports around 450,000 jobs in the UK. To this end, **PILOT** facilitates a unique partnership between the UK oil and gas industry and government, to deliver quicker, smarter and sustainable energy solutions to secure the long-term future of the UK Continental Shelf (UKCS) and

ensure full economic recovery of our hydrocarbon resources.

## *It must be challenging working with such a diverse group?*

Our aim is to work in partnership with all stakeholders in the basin and make an impact on the way business is done in the UKCS.

**Membership** comprises of visionary industry leaders who are able put their company allegiances aside and work on behalf of the greater industry. Companies are encouraged to collaborate on non-competitive issues where innovative solutions can be found to ensure the UKCS flourishes.

## *What has PILOT achieved?*

PILOT has amassed a track record of success since its inception in 2000 and contributed to the high level of activity we see today such as:

- Evolving the licensing system to

include **PROMOTE**, which has opened up the basin and enabled the smallest of companies with good ideas to acquire acreage and develop understanding of the geology.

- Introducing the **Access Code of Practice** which has simplifying difficulties in new projects getting their hydrocarbon into existing infrastructure.
- Introducing **Fallow** to ensure all prospective acreage is in the hands of companies with the expertise and appetite to drive projects forward.
- Promoting technology development by setting up the **Industry Technology Facilitator** (ITF), one of the key organisations fundamental to the UKCS today.
- Encouraging the supply chain to expand and sell North Sea expertise on the global market. Now international business nearly matches indigenous sales.
- The key to a successful basin

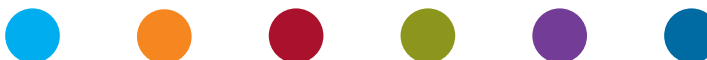
is maintaining investment. The recent **27th licensing round** has proved to be the most successful ever. While PILOT cannot claim full credit, there is little doubt the initiatives brought forward through the forum over the past 12 years have helped create the foundation for this new growth.

## *So what is the future for PILOT?*

The UKCS has a long life ahead with the potential to deliver a further 20 billion barrels of oil and gas. However, new challenges will emerge as the industry moves to extract the increasingly difficult reserves and PILOT must adapt and remain focused on the emerging issues.

You can find out more about **PILOT** on our website or you can contact the PILOT secretariat at:

[pilot.secretariat@decc.gsi.gov.uk](mailto:pilot.secretariat@decc.gsi.gov.uk)





### UK IRENA

In May, the UK became a full member of the

### International Renewable Energy Agency

(IRENA) - an intergovernmental treaty organisation set up to promote the use of renewable energy. DECC officials have played a very active role in the establishment of IRENA in shaping **Work Programmes** and chairing committees to ensure the UK's interests are represented. The image shown is of HM Ambassador Simon McDonald (left) and Viktor Elbling, Director General for Economic Affairs and Sustainable Development, German Federal Foreign Office Berlin.

### EU Opt Out

UK small emitters and hospital installations now have the opportunity to 'opt out' from the EU ETS from 2013 as part of the government's efforts to cut down on red-tape. This could save industry up to £80 million from 2013-2020, depending on take up from the around 250 eligible installations, accounting for 1% of UK EU ETS emissions.



### Efficient Partnership

Read **Solar Power Portal's** coverage of the newly launched **Energy Efficiency Partnership for Buildings**. The new not-for-profit organisation aims to create the largest network of potential Green Deal providers, financiers, product and service suppliers to represent industry's views on the practical implementation of the Green Deal and energy efficiency opportunities in the UK.



### Deep Impact

Climate change policies could halve negative impacts of energy price shocks. The analysis, produced by Oxford Economics, shows how the UK's sensitivity to oil and gas price shocks could be reduced by using low-carbon forms of electricity generation including renewables, new nuclear and through increasing energy efficiency.

### Web chat

Watch our Smart Meters Team answering questions in a live web chat held on 28 May. Comments and issues raised will inform development of Smart Meters policy as part of the wider programme of stakeholder engagement during the ongoing **consultation** period.



### Collective Action

On 23 May, the Secretary of State (SOS), Edward

Davey, published practical advice for consumers looking to get a better deal on their gas and electricity prices through 'collective switching', and guidance for organisations wanting to launch their own 'collective purchasing' schemes. Members of the **Collective Purchasing and Switching Working Group** also attended a round table meeting chaired by the SOS, to discuss how to help consumers club together to cut their gas and electricity bills.

[Read more news stories on our website](#)



# DECC REVIEW

## Open Consultations

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Close Date: 18-06-2012

[Consultation on the proposed justification process for the reuse of plutonium](#)

Close Date: 20-08-2012

[A call for evidence on the role of gas in the electricity market](#)

Close Date: 28-06-2012

[Consultation on a proposed new power for Ofgem to compel regulated energy businesses to provide redress to consumers](#)

Close Date: 02-07-2012

[Transposition of EU Directive 2009/29/EC revising EU Directive 2003/87/EC: a public consultation](#)

Close Date: 31-07-2012

Visit our website for more information on all [our consultations](#).

