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8 June 2005

Dear Mr Richard

UK Energy Policy

Thank you for your letter of 6 May 2005 to the Rt Hon Tony Blair MP, regarding UK Energy Policy on renewable energy. I have been asked to reply on behalf of the Minister responsible for energy matters and would like to outline the UK's policy in this area.

In 2003 we released our Energy White Paper - Our energy future - creating a low carbon economy. It contained a framework setting out the challenges we will face; on the environment, the decline of our indigenous energy supplies and the need to update our energy infrastructure, and the policies we need to pursue over the next twenty years and beyond to meet these challenges. It contained 4 key goals

To put ourselves on a path to cut the UK's carbon dioxide emissions - the main contributor to global warming - by some 60% by about 2050 with real progress by 2020;

To maintain the reliability of energy supplies;

To promote competitive markets in the UK and beyond, helping to raise the rate of sustainable economic growth and to improve our productivity; and

To ensure that every home is adequately and affordably heated.

We are looking to significantly expand the proportion of energy produced from renewables, which will help contribute to the first two of the White Paper goals.

Renewable energy is an integral part of our longer-term aim of reducing emissions by 60% by 2050 to mitigate the impact of climate change, by reducing our reliance on greenhouse gas emitting fossil fuels.

Expanding renewable energy will also help to improve our security and reliability of supply. The UK's renewable energy source is vast, particularly wind, wave and tidal resources. The more diverse our mix of energy the less prone it will be to interruptions in supply. This is particularly important as the UK is soon to become a net-importer of energy, potentially as early as 2006.

We have a target that by 2010, 10% of electricity will be generated from renewable sources and an aspiration to double this by 2020. 10% of supply from renewables in 2010 represents a saving of 1.5% per year on 1990 emission levels if the equivalent amount of energy were generated from gas.

In 2003 renewable energy accounted for 2.7% of electricity supply, we are starting from a low base but have seen more capacity installed in the last few years than in the previous decade, and we are determined to do all we can to make progress towards this.

Our main support mechanism for renewables is the Renewables Obligation (RO), which was introduced in April 2002 and is the successor to the Non Fossil Fuels Obligation. It is a market-based mechanism, designed primarily to support technologies that are close to the market and it will remain in place until 2027.

Electricity supply companies are required to source a percentage of their electricity sales (increasing each year) from eligible renewable sources. The obligation for 2005/2006 periods is 5.5% rising to 15.4% by 2015. It will remain in place until 2007.

It is in no one's interest to spoil the landscape. All renewable energy developments must take place within the formal planning procedure, which allows all relevant stakeholders to have their view and assess all relevant impacts on the environment, local community etc. However, much of our 'natural' landscape is already man-made, from fields, hedgerows, canals and forestry, to bridges and piers, and bears little resemblance to the landscape that would have existed just a few hundred years earlier. Turbines are rarely visible from more than 20 miles away, even in good weather. The development of renewable energy must also take place in the wider context of reducing emissions, improving security of supply and a consideration of the issues of alternative forms of power such as fossil fuels or nuclear


The Renewables Obligation is also supported by around £500M of spending between 2002-2008 to help develop emerging technologies. This will take the form of spending on RD&D and funding for capital grants. This includes among other things: grants of £117 million for offshore wind; over £60 million for energy crops and biomass; £31 million for PV and £12.5 million for community/domestic schemes. In August 2004 it was announced that a special £50M Marine Renewables Deployment Fund would be set up to help bridge the funding gap between pre-commercial and supported commercial technologies. £42 million of this has been

earmarked to kickstart construction of large-scale demonstration farms that will for the first time see wave & tidal power feeding into the national grid.

Renewable energy is also exempt from the Climate Change Levy - a tax on non-domestic energy use disaggregated by fuel type.

Developing renewable energy will require significant investment and support, as most technologies are not cost-competitive with conventional fossil fuel generation. However, this initial development will help costs decline over the long-term. There is significant scope for cost reduction, for example wind costs have declined by over 80% over the last 2 decades, with further room for improvement.

Many renewable technologies are expected to become cost-competitive with fossil fuels over the next 10 to 20 years. This could occur even sooner due to changes in fossil fuel prices, and policies, which begin to incorporate the environmental and social costs of fossil fuel use (such as pollution). The EU Emissions Trading Scheme, which started in January 2005, is one such example of this.



You Draw attention to the potential for harnessing ocean energy. The potential to exploit the excellent marine resource that the UK is blessed with is recognised and those offshore areas potentially suitable for the future deployment of renewable technologies have been identified by a resource mapping study, "The Atlas of UK Marine Renewable Energy Resources", study was commissioned by the Department for Trade and Industry to inform decision-making process for the next stage of offshore renewable energy development in UK waters. The Atlas is freely available and can be ordered from the publications section of the DTI Website: www.dti.gov.uk

Since 1997 around £15 million has been provided under the DTI's Technology Programme to support marine energy research and development, including tidal stream technology. Some of these technologies are now moving towards the larger scale demonstration phase of their development, and in support a new 'Marine Renewables Deployment Fund' worth £50 million was announced by Patricia Hewitt on 2 August.


The Government fully recognises the UK's marine potential and is supporting Industry to develop the technologies to exploit that potential. However, if we are to meet the challenge of climate change we need to develop renewable energy in all its forms.

The Energy White Paper also recognised contribution that large-scale barrage schemes could make to the Government's renewable electricity and emissions targets. However, it also recognised that schemes of this type bring with them a number of potentially significant negative environmental impacts and that any development would raise strong environmental concerns. Additionally, these schemes are very expensive and could not be brought forward on a purely commercial basis in the

private sector. Despite this being the current position, schemes of this type are not completely excluded from any future considerations and Government would of course look at this again should circumstances change.

Thank you for bringing your concerns to our attention and I sincerely hope that this letter gives you more information about the Government's reasons for increasing renewable energy. If you require more details, please see the DTI's website at:
<http://www.dti.gov.uk/energy/renewables/>

Yours sincerely



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