



Coalition proposals for an Energy Security and Green Economy Bill

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An *Energy Security and Green Economy Bill 2010-11* was announced in the [Queen's Speech](#) on 25 May 2010. The [Department of Energy and Climate Change](#) (DECC) explains that the purpose of the Bill is to provide a “step change” in the provision of energy efficiency measures to homes and businesses. It also intends to put in place a framework to deliver secure, low carbon energy supplies and fair competition in the energy markets. The main element of the Bill is given as:

Implementation of a “Green deal” to deliver energy efficiency to homes and business – delivering a framework including potential incentives to energy suppliers and households that will transform the provision of energy efficiency in the UK by enabling a ‘pay as you save’ approach.

DECC said that the legislation “may” also include measures to:

- regulate the carbon emissions from coal-fired power stations
- reform energy markets to deliver security of supply and ensure fair competition
- put in place a framework to guide the development of a smart grid that will revolutionise the management of supply and demand for electricity
- require energy companies to provide more information on energy bills in order to empower consumers and to ensure fair access to energy supplies
- ensure that North Sea infrastructure is available to all companies to ease the exploitation of smaller and more difficult oil and gas fields
- create a Green Investment Bank to support investment in low carbon projects to transform the economy

This note sets out the measures in the Bill alongside what was said about these areas in the main election manifestos, the formal coalition Government agreement and the March 2010 Conservative green paper *Rebuilding Security: Conservative energy policy for an uncertain world*. It also highlights comment on the proposals. In the July 2010 Draft Structural Reform Plan, DECC suggests that the Bill will be introduced in December 2010.

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1 Devolved administrations

An *Energy Security and Green Economy Bill 2010-11* was announced in the [Queen's Speech](#) on 25 May 2010. Written ministerial statements on 26 May 2010 confirmed that the *Bill* would apply to the devolved administrations as follows:

- Scotland: "either in full or in part";¹
- Wales: "a limited number of provisions [the] Bill may apply to Wales, and the extent of [the] Bill's application to Wales will be the subject of further work on scope and content."²
- Northern Ireland: the bill was listed under the heading, "The following Bills may extend to Northern Ireland to varying degrees. They require the consent of the Northern Ireland Assembly in relation to those provisions in the devolved field."³

2 Where the proposals come from

The table below sets out the seven proposed measures for the *Energy Security and Green Economy Bill 2010-11*, alongside what was said about each of these areas in the Conservative and Liberal Democrat party 2010 election manifestos, the formal Coalition Agreement of 20 May 2010 and the March 2010 Conservative green paper *Rebuilding Security: Conservative energy policy for an uncertain world*. The Conservative Party green paper is a much more detailed document on energy policy than the other documents. For the sake of brevity, references in the table are therefore given only to the appropriate place in this document.

¹ [HC Deb 26 May 2010 c8WS](#)

² [HC Deb 26 May 2010 c10WS](#)

³ [HC Deb 26 May 2010 c6WS](#)

Table to show where proposals for the Energy Bill may stem from

| <p>Bill proposal 25 May 2010</p> | <p>The Coalition: our programme for government 20 May 2010</p> | <p>Conservative Party Manifesto April 10</p> | <p>Liberal Democrat Manifesto April 2010</p> | <p>Conservative Party Green Paper- Rebuilding Security: Conservative energy policy for an uncertain world, 19 March 2010</p> |
|--|--|--|--|--|
| <p>1) Implementation of a “Green Deal” to deliver energy efficiency to homes and businesses – delivering a framework including potential incentives to energy suppliers and households that that will transform the provision of energy efficiency in the UK by enabling a ‘pay as you save’ approach</p> | <p>p16 Through our ‘Green Deal’, we will encourage home energy efficiency improvements paid for by savings from energy bills. We will also take measures to improve energy efficiency in businesses and public sector buildings. We will reduce central government carbon emissions by 10% within 12 months.</p> | <p>p93 Rising energy costs hit families hard, so we will create a ‘Green Deal’, giving every home up to £6,500 worth of energy improvement measures - with more for hard-to-treat homes – paid for out of savings made on fuel bills over 25 years.</p> <p>Ensure that 10 per cent of the staff directly employed by ‘Green Deal’ providers are apprentices, helping to build a green collar workforce for the future.</p> | <p>p58 Begin a ten-year programme of home insulation, offering a home energy improvement package of up to £10,000 per home, paid for by the savings from lower energy bills, and make sure every new home is fully energy-efficient by improving building regulations.</p> <p>p23 Launching an ‘Eco Cash-Back’ scheme, for one year only, which will give you £400 if you install double glazing, replace an old boiler, or install micro-generation. If you choose micro-generation, you will be able to sell the energy back to the National Grid at a profit, with a more attractive feed-in tariff than under current government plans.</p> <p>Setting aside extra money for schools who want to improve the energy efficiency of their buildings. They will pay back the loan over time from energy savings, creating a rolling fund to help insulate every public building.</p> <p>p59 Improve energy efficiency in the commercial and public sectors, by strengthening the Carbon Reduction Commitment Energy Efficiency Scheme and requiring companies and government departments to report on their energy use and set targets for reducing it. We will set a 30 per cent energy efficiency improvement target for 2020, and will commit the government to the goals of the 10:10 campaign as a first step.</p> | <p>See Action 10 p21</p> |

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| <p>2) Regulate the carbon emissions from coal-fired power stations.</p> | <p>p16 We will establish an emissions performance standard that will prevent coal-fired power stations being built unless they are equipped with sufficient carbon capture and storage to meet the emissions performance standard.</p> <p>We will continue public sector investment in carbon capture and storage (CCS) technology for four coal-fired power stations.</p> | <p>p92 To limit harmful emissions from UK power stations, we will take steps to encourage new low carbon energy production, including:</p> <ul style="list-style-type: none"> • introducing an Emissions Performance Standard to limit the levels of greenhouse gases our power stations produce; • creating four carbon capture and storage equipped plants, taking coal – one of the most polluting fuels of all – and transforming it into a low carbon fuel of the future; | <p>p59 Block any new coal-fired power stations – the most polluting form of power generation – unless they are accompanied by the highest level of carbon capture and storage facilities.</p> | <p>See Action 7, p19</p> |
| <p>3) Reform energy markets to deliver security of supply and ensure fair competition</p> | <p>p16 We will reform energy markets to deliver security of supply and investment in low carbon energy, and ensure fair competition including a review of the role of Ofgem.</p> <p>We will instruct Ofgem to establish a security guarantee of energy supplies.</p> | <p>p92 To safeguard our energy security, we will reform the energy regulator Ofgem so that:</p> <ul style="list-style-type: none"> • it focuses on executing energy policy; • it is tasked with monitoring the spare capacity in the energy market and making provisions for additional capacity where required; and, • its competition policy and consumer protection powers pass to the Office of Fair Trading. (...) <p>p93 We will work to diversify the sources of the gas we need, secure longterm contracts and increase storage capacity to guarantee supplies throughout the year.</p> | | <p>See Actions 2&3 p15-16</p> |
| <p>4) Put in place a framework to guide the development of a smart grid that would revolutionise the management of supply and demand for electricity</p> | <p>p16 We will establish a smart grid and roll out smart meters.</p> | <p>p92 The way our energy is produced and transmitted is stuck in the last century. A Conservative government will transform this 'dumb', unresponsive network and create an 'electricity internet' – a highly interactive network, based on a new smart grid that will interact with smart meters in people's homes, to manage supply and demand.</p> | <p>p58 Transform the electricity networks into a dynamic electricity grid that can better connect and integrate new, clean energy technologies particularly through the better use of sub-sea connections, leading to the development of a European Supergrid.</p> | <p>See Action 9 p20</p> |

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| <p>5) Require energy companies to provide more information on energy bills in order to empower consumers and to ensure fair access to energy supplies</p> | | <p>p93 ... [ensure] that every energy bill provides information on how to move to the cheapest tariff offered by their supplier and how their energy usage compares to similar households.</p> | | <p>See p26</p> |
| <p>6) Ensure that North Sea infrastructure would be available to all companies to ease the exploitation of smaller and more difficult oil and gas fields</p> | <p>p16 We will deliver an offshore electricity grid in order to support the development of a new generation of offshore wind power.</p> | <p>p92 [Deliver] an offshore electricity grid in order to support the development of a new generation of offshore wind power, and establishing at least two Marine Energy Parks.</p> | <p>p58 Set out a clear renewables routemap to 2050, covering grid access and investment in electricity networks</p> | <p>See Action 8 P20</p> |
| <p>7) Create a Green Investment Bank to support investment in low carbon projects to transform the economy</p> | <p>p16 We will create a green investment bank. (...)</p> <p>p17 As part of the creation of a green investment bank, we will create green financial products to provide individuals with opportunities to invest in the infrastructure needed to support the new green economy.</p> | <p>p31 [We will create] a new Green Investment Bank.</p> | <p>p24 We will set up a United Kingdom Infrastructure Bank to attract private finance essential to delivering the ... expansion of Britain's ... energy infrastructure.</p> | <p>See Action 12 p23</p> |

3 Comment on the proposals

An article in *Business Green* from 26 May speculated that the “green deal” was the only part of the proposed Bill that was currently certain to make it to the final version of the Bill. It reported that DECC had stated that it would spend the next few weeks assessing which green policies require primary legislation and which could be enacted through other mechanisms. The article also commented on what was not included in the Bill and said that Friends of the Earth was concerned about the Bill’s “lack of clarity”:

Two of the government’s most controversial environmental policies – its proposal to enforce a floor price for carbon and reform renewable energy incentives by extending the feed-in tariff – were noticeable by their absence from the list of measures that could be included in the final Energy Security and Green Economy bill.

The DECC spokesman said there was no significance to their absence, insisting both policies remained priorities and would be assessed as part of the process to decide where primary legislation is required.

However, with an extension of the feed-in tariff in particular likely to require either an amendment to the previous government’s energy bill or the introduction of new legislation, it appears that the renewable energy sector will have to wait for clarification on how its subsidy regime will change.

Friends of the Earth’s executive director Andy Atkins slammed the lack of clarity surrounding the government’s green policy proposals.

"It is essential that the new legislation delivers on the coalition’s election promises, such as a green investment bank and pollution standards for power stations," he said. "Saying they 'may' be included in the energy bill is just not good enough."⁴

An article from 26 May 2010 in the *Guardian* reported praise from the UK Green Building Council about the “green deal”. It also reported that consumer group Which? was happy with the proposal to improve clarity in consumer energy bills, but with some concern that the measure may not necessarily guarantee a lower tariff:

Which? chief executive, Peter Vicary-Smith, welcomed the news that the government will also focus on consumers’ energy bills. "We're glad the government recognises the need to tackle issues such as security of supply and the lack of competition in the energy market. Plans to improve bills are a step in the right direction but could go further. Including the name of the cheapest available tariff on every bill looks good on paper, but means little unless it's backed up with a guarantee that it will still be the cheapest rate by the time the consumer switches tariffs," he said.⁵

In the debate on the Queen’s speech on 27 May 2010, the shadow Secretary of State for Energy and Climate Change, Edward Miliband, welcomed many of the of the proposals. He said that home energy efficiency scheme was “important”, but said that he had some concern about the proposal for an emissions performance standard:

In that spirit, there are some measures that we welcome, which would have been in a Labour Gracious Speech. The help for home energy efficiency pay-as-you-save proposal is very important and we look forward to scrutinising the measures that come forward on that. The measures on the smart grid are also important, as is reform of the energy market—the work that we started in government.

⁴ “Uncertainty surrounds contents of Energy Security and Green Economy bill” *Business Green*, 26 May 2010

(...)

We will scrutinise the Secretary of State's plans for an emissions performance standard. There is concern about whether that will lead to uncertainty in investment in coal and gas, but, again, we will judge the Government on the measures they introduce. There is some urgency on this issue, so I hope that plans will be produced speedily.⁶

4 Update on the timetable: July 2010

On 27 July 2010 the Department of Energy and Climate (DECC) published the first Annual Energy Statement.⁷ Alongside the statement DECC also published a Draft Structural Reform Plan which set out a timetable of what the Government plans to do and when in order to meet the following objectives:

- Save energy with the Green Deal and support vulnerable consumers;
- Deliver secure energy on the way to a low carbon future;
- Drive ambitious action on climate change at home and abroad; and
- Manage our energy legacy responsibly and cost-effectively.⁸

The timetable states that the Government intends to introduce an Energy Security and Green Economy Bill in December 2010.⁹ This is subject to the following caveat:

We have adopted a cautious view of the timescales for delivering all legislative measures due to the unpredictability of pressures on Parliamentary time.¹⁰

Some of the measures which DECC had originally announced that “may” be in Bill do not fit in with this timetable. Specifically, the document suggests that the following proposals may have different timetables:

- The proposal to regulate carbon emissions from coal-fired power stations with an emissions performance standard is now timetabled to be consulted on between November 2010 and April 2011.¹¹
- The proposal to reform electricity markets and review the role of Ofgem is now timetabled to be consulted on between November 2010 and January 2011. An electricity market White Paper will be published in April 2011 to announce the Ofgem review findings.¹²

The Draft Structural Reform Plan does suggest however, that plans to reform energy markets to deliver security of electricity and gas supply will be in the Bill. The Government has said

⁵ “Queen's speech: Plans for a new energy bill announced” *The Guardian*, 26 May 2010

⁶ [HC Deb 27 May 2010 c314-315](#)

⁷ Department of Energy and Climate Change, *Annual Energy Statement Department Memorandum*, 27 July 2010

⁸ Department of Energy and Climate Change, *Draft Structural Reform Plan*, 27 July 2010, p3

⁹ Department of Energy and Climate Change, *Draft Structural Reform Plan*, 27 July 2010, p4

¹⁰ Department of Energy and Climate Change, *Draft Structural Reform Plan*, 27 July 2010, p1

¹¹ Department of Energy and Climate Change, *Draft Structural Reform Plan*, 27 July 2010, p7

¹² Department of Energy and Climate Change, *Draft Structural Reform Plan*, 27 July 2010, p6

that it plans to consult on gas security measures from August-October 2010 and then include provisions on gas and electricity security in the Bill in December 2010.¹³

The Annual Energy Statement Memorandum summarised what the Government wants to do improve gas security:

Action 12: We will introduce further measures on gas security as promised in the Coalition Programme for Government. In the future, we need more gas storage capacity, more gas import capacity, and greater assurance that our market will deliver gas when it is needed. This means that our gas market arrangements must have a sharper focus on increased flexibility and resilience.¹⁴

¹³ Department of Energy and Climate Change, [Draft Structural Reform Plan](#), 27 July 2010, p6

¹⁴ Department of Energy and Climate Change, [Annual Energy Statement Department Memorandum](#), 27 July 2010, p10