



Energy Bill 2013; update for Report Stage

Standard Note: SNSC6653
Last updated: 30 May 2013
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Section: Science and Environment

The [Energy Bill 2012-13 to 2013-14](#) is a 'carry-over' Bill, which means it has been continued from the previous Parliamentary session in the Commons. The Bill started its passage through Parliament in the Commons, and it has not yet been into the Lords.

The Bill now has its Report Stage scheduled, for 3 June 2013. This note provides an update to some of the more controversial areas, and to the following previous Library briefings:

- [Energy Bill: Committee Stage Report](#) 12 March 2013, Research paper RP13/19
- [Energy Bill](#) 13 December 2012, Research paper RP12/79
- [The draft Energy Bill 2012](#) 23 May 2012, Standard note SN06324

All of the tabled amendments and proposed New Clauses are available on the [Parliament website](#). This brief update note does not address all of these, but a selection of issues only.

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1 Community Energy Schemes

The Library Research Paper [Energy Bill: Committee Stage Report](#) (12 March 2013) gives a background to this issue on its pages 16-17.

As it explains, Tom Greatrex MP's amendments in Bill committee (on defining community energy schemes and on raising the small scale feed-in-tariff) were withdrawn after assurances that the matter was under consideration by Government.

In February 2013 the Government had said "DECC is currently scoping a Community Energy Strategy and will publish a call for evidence in the spring".¹

The DECC [website on community energy](#) currently (as of 30 May 2013) says:

We are currently preparing a Community Energy Strategy for publication in late Autumn 2013. A Call for Evidence will be published in May 2013.²

The latest PQ on this said:

Tom Greatrex: To ask the Secretary of State for Energy and Climate Change with reference to his reply to question 37 at the sitting of 15 January 2013 of the Public Bill Committee on the Energy Bill, when he plans to publish the consultation paper on a community energy strategy. [155183]

Michael Fallon: Later this year, we will publish a Community Energy Strategy. To inform the strategy, we will publish a Call for Evidence this spring, seeking responses from a wide range of organisations and individuals.

Community energy is on the rise in the UK, reconnecting communities to the energy they use, with community projects and initiatives focused on reducing, managing, generating or purchasing energy³

Energy for London has raised concerns however about this now being a 'call for evidence' rather than, as earlier expected, a formal consultation document in Spring 2013.⁴ The [Energy Efficiency Strategy](#) published by DECC in November 2012 did not include a great deal on this other than saying a strategy was 'forthcoming'.

In March 2013 the *Guardian* had an letter [Give help to small renewables firms](#) from Dr David Toke Senior lecturer in energy policy, University of Birmingham and others saying:

The government needs to act urgently to give equivalent terms for renewable energy development to community renewable companies as are being given to the big electricity companies. Proposals that could do this in a competitive manner have been put forward by Alan Whitehead MP, but have so far been ignored by the government.⁵

For Report stage, there is a re-tabled Amendment from the Opposition (Amendment 1) seeking to extend the small scale feed-in-tariff to 10 MW by amending Clause 10. There is also a new clause 3 from Caroline Lucas about community generation.

¹ [HC Deb 11 February 2013 c456W](#)

² <https://www.gov.uk/community-energy>

³ HC Deb 14 May 2013 c158w

⁴ Energy for London blog, [Is the community energy strategy being kicked into the long grass?](#)

⁵ Letters, 19 March 2013

2 Biomass

The RSPB, Friends of the Earth and Greenpeace published a report entitled *Dirtier than Coal* in October 2012, suggesting that electricity generated using wood could increase greenhouse gas emissions by at least 49% compared to using coal over 40 years.

The groups are highlighting concerns that current Government plans for subsidies for the sector would result in burning the equivalent of up to six times more wood than the entire harvest nationwide, with implications for greenhouse gas emissions and woodland wildlife.

They see the *Energy Bill* as an opportunity to address this through an amendment to cap the size of biomass plants, unless they are fitted with combined heat and power technology or carbon capture and storage. Another amendment would also apply to limit the level of 'co-firing' of biomass alongside fossil fuels, e.g. in coal power plants.

Amendment 33 says that a fossil fuel or renewable energy plant should not be consented with a rated capacity of 15MW or greater that uses any biomass unless it is a combined head and power plant or a carbon capture and storage plant.

During Committee Stage of the Bill Sir Robert Smith moved amendment 132 seeking to ensure that the strategic priorities in the 'strategy and policy statement' (SPS) included that the use of biomass must be sustainable. (The SPS will, under the Bill, set the strategic priorities for Government and for Ofgem.) He said dispersed small scale projects were most effective and biomass should not displace wood that should be going to construction.⁶

The Minister John Hayes said that a consultation had run to 30 November 2012 on sustainability relating to the renewables obligation, and results would be announced around the end of March 2013.⁷ The Government had decided that large scale coal conversion should be prioritised over dedicated biomass and the technology capped at 400MW. There was an - as yet voluntary - arrangement to monitor the use of domestic wood. Sir Robert withdrew his amendment, as the [Energy Bill: Committee Stage Report](#) notes.

On 20 March 2013 there was a [Westminster Hall debate on biomass power generation](#) secured by Nigel Adams, whose constituency includes Drax and Eggborough, coal fired power stations that are proposing to convert to biomass;

Graham Stringer (Blackley and Broughton) (Lab): I congratulate the hon. Gentleman on securing this important debate. He has twice used the word "sustainable" to describe biofuels. "Sustainable" is only accurate if one discounts how much carbon dioxide is released from the soil when the trees and vegetation are moved and how many significant journeys will be made to take the biomass from North America to this country. Does he accept that?

Nigel Adams: Yes. The biomass that we use must come from sustainably managed forests, by which I mean forests where growth is at least equal to harvest. Nobody is saying that biomass is carbon-neutral; it is low-carbon. We must ensure a neutral, or ideally a positive, growth-drain ratio. The hon. Gentleman makes a particularly good point, to which I shall come later in my remarks.⁸

⁶ PBC (Bill 100) 2012-2013 c500

⁷ See the [gov.uk website](#); *Proposals to ensure sustainability and affordability for the use of biomass under the Renewables Obligation* – various consultation outcomes and responses, but which still says that "Response to part A due in spring 2013" as of 30 May 2013.

⁸ HC Deb 20 March 2013 c294WH

Speaking for the Opposition, the shadow energy Minister Tom Greatrex said:

I do not think that biomass is completely ideal, but we do not live in a completely ideal world and we have a significant energy challenge to meet over the next few years.

He went on:

When [the Minister] met the all-party group, he agreed to write to generators requesting information on their biomass sourcing intentions for the next five years. I want to press him again on whether the correspondence has begun and whether the information is back from the generators. They are important data, particularly, as he knows, in relation to the differentiation between imported and indigenous supply:

The Minister said he had written to large-scale users of biomass for information about the kind of product they used and to be clear on the data definitions (e.g. of 'waste' wood, presumably). Tom Greatrex said that a key issue was defining genuine waste (e.g. the wood panel industry can use lower-grade wood than for furniture). He concluded:

I do not have an objection to biomass, but it needs to be employed properly, which is about sustainability and transparency in sourcing.

[...]

In conclusion, biomass should be sustainable and focused on waste. If we can get those things right, I do not think there will be any genuine objections to biomass, because it will deal with some of the genuine, as opposed to ideological, concerns. In the energy debate, although people have the right to hold a completely different view, we should always differentiate between addressing genuine, legitimate concerns and accepting an ideological difference for what it is, rather than getting too hung up on it.⁹

There is more background on sustainability and 'co-firing' in the Library [Standard note](#) on biomass (SNSC6586, 18 March 2013).

3 Decarbonisation target

The background to these amendments, tabled by Tim Yeo, chair of the Energy and Climate Change Select Committee, and Barry Gardiner, a Member of that committee, is covered in sections 7 and 9 of the [Energy Bill: Committee Stage Report](#).¹⁰

These are also the so-called 'green jobs' amendments:

Friends of the Earth's [Clean British Energy campaign](#) is urging the Government to tackle climate change by setting a target in the Energy Bill to clean up our electricity by 2030. Getting off fossil fuels will cut the carbon out of our power system and create thousands of jobs, and give the UK the chance to become a world leader in renewable energy technologies.¹¹

When Tim Yeo was interviewed on this in the *House Magazine*, he explained that the main effect of the Amendments would be to set a target and to have a decision made next April, rather than delayed until 2016 (i.e. after the General Election, in the next Parliament). It is the timing, rather than the level at which the target will be set, that is the key issue.¹²

⁹ c314WH

¹⁰ 12 March 2013 Library Research paper RP13/19

¹¹ FoE [press release](#) 8 February 2013

¹² 14 March 2013, pages 46-50, 'Targeting opportunities'

The Government has not said yet what decarbonisation target it will set for 2030. It wants to do this after it has set the fifth carbon budget in 2016. It has however already amended the Energy Bill (during committee stage) to allow this to happen. So while it has not yet set a legally binding target, it has allowed for one to be set in future.

As the Research paper notes, the proposals currently are, before 2016, to issue guidance to the system operator (National Grid) on an 'indicative range of decarbonisation scenarios' for the power sector up to 2030, to deliver the overall 2050 target (to reduce the UK's emissions of greenhouse gases to at least 80% below 1990 base levels) consistent with a least-cost approach.

A quite detailed response was also given by the Government in its [Government Response to the House of Commons Energy and Climate Change Select Committee Report into the draft Energy Bill](#):

The Government agrees with the broad thrust of the recommendation in that there are clear advantages to a stable investment climate for the power sector. The Government is committed to the decarbonisation of the economy, and already has a number of binding commitments to ensure that this takes place. In particular, the Government is committed to meeting a legally binding target to reduce the UK's emissions of greenhouse gases (GHGs) to at least 80% below 1990 base levels by 2050 as set out in the 2008 Climate Change Act.

The Government is agreed on the need to encourage a least cost pathway to the UK's binding 2050 carbon target which is consistent with the Climate Change Act and carbon budgets. The Government will therefore bring forward an amendment to the Energy Bill to take a power to set a range in secondary legislation. The power will provide for flexibility in the setting or reviewing of the range by consideration of wider economic factors. A decision to exercise this power will be taken once the Government has received advice from the Committee on Climate Change (CCC) on the Fifth Carbon Budget which covers the corresponding period (i.e. to 2030).

The power will not be exercised until the Government has set the Fifth Carbon Budget. In addition the Government in 2013 will give (non-binding) guidance to National Grid setting out an indicative range for emissions/decarbonisation for the power sector in 2030 consistent with encouraging a least cost pathway to the UK's binding 2050 target. This guidance will also reflect sensitivity analysis covering different scenarios, including one where the Fourth Carbon Budget is revised upwards.¹³

On 30 May 2013 a speech was trailed on the *Today* programme by Lord (Chris) Smith, now head of the Environment Agency, about the implications of cheap global coal prices.¹⁴

4 'Strike price' for nuclear

Under 'contracts for difference' the price guaranteed for low-carbon generation will eventually be set competitively through auction. At first however it will be set administratively, and for new nuclear, the matter is currently under negotiation between DECC and EDF Energy.

The research paper on the [Energy Bill](#) (13 December 2012 RP12/79, see page 29) gives some background to the current negotiations, as does the later [Energy Bill: Committee Stage Report](#) (12 March 2013 RP13/19, page 28 onwards).

¹³ 29 November 2012 Cm 8504

¹⁴ Also reported in the *Telegraph*, [Pollution is rising because of cheap coal, says environment boss Lord Smith](#) 30 May 2013

In March 2013 the Commons Energy and Climate Change (ECC) Select Committee published their inquiry report into [Building New Nuclear](#). The [Government's response](#) to the Committee's report was published on 17 May 2013, in which the Government acknowledges:

While it is theoretically possible to meet our decarbonisation objectives without new nuclear, it would be very challenging to do so. We would also expect the costs of meeting the objectives to be higher without new nuclear, as it is a proven technology and expected to be the cheapest low-carbon source of electricity in the future.¹⁵

However, EDF has not yet made its final investment decision on Hinkley C, which implies that the Government and EDF are yet to agree on a strike price.¹⁶

An update on the prospects for nuclear is provided by the Library's [standard note on Nuclear Power](#) (16 May 2013).

5 'Cheaper tariffs'

This is covered in the [Energy Bill: Committee Stage Report](#) (12 March 2013), on page 38 onwards.

In short, the Bill's provisions (to allow the Government to require companies to offer people 'the cheapest tariff that meets their preferences'), are intended mainly as a back-up to Ofgem's simplification of tariff proposals. However, as the Research paper notes, there were possibly still details to be further discussed, such as whether Ofgem's proposal for a 'tariff comparison rate' (TCR) is best, or if a different single unit rate would be clearer and easier to compare. During the Bill's committee stage Ministers said that DECC would do some more work on that.

Ofgem's final proposals on this were published on 27 March 2013 and open for consultation until 23 April 2013, and still included their TCR approach, but also far fewer tariffs to be available, and "Regular prompts from your supplier on what the cheapest tariff is for you based on your current preferences, and across the supplier's range of tariffs as a whole".¹⁷

Ofgem is currently proposing that its new package (through new licence conditions) will take effect from August 2013 on a 'phased basis'. However, as noted during the Bill's debates, it is not clear how far these legal powers will be needed or used, because Ofgem, the regulator, already has the power to require energy companies to comply with licence conditions or face large fines.

On 17 May 2013 the Government published its [response](#) to Ofgem's proposals and the discussion document "Ensuring a better deal for energy consumers".¹⁸

This said the Government was "using the Energy Bill to make sure [Ofgem's] reforms are not delayed or frustrated" and creating a new network of outreach by trusted organisations on switching. The Government has previously noted the 'backstop' nature of its proposed powers:

¹⁵ Energy and Climate Change - First Special Report Building New Nuclear- the challenges ahead: Government Response to the Committee's Sixth Report of Session 2012-13

¹⁶ For example BBC 25 April 2013 [Hinkley plant construction delay until 2014, warn Union leaders](#)

¹⁷ Ofgem [RMR webpage](#)

¹⁸ DECC Press Notice 13/046 "[Turning non-switchers into savvy switchers](#)" - Davey

Ofgem are committed to reviewing the implementation of their Retail Market Reforms in 2017. Government will therefore keep these powers until 2018, and set a sunset clause accordingly.¹⁹

6 Demand reduction

The lack of demand-side measures or energy efficiency schemes in the Bill and its focus on generation instead was one of the Energy and Climate Change Committee's main problems with the draft Bill. (See for example pages 24-26 of [Energy Bill: Committee Stage Report](#) (12 March 2013 RP13/19 and page 41 of [Energy Bill](#) (13 December 2012 RP12/79.)

The [Amendments and new Clauses tabled for consideration at Report](#) include New Government Clauses on the capacity market and a New Clause 12 allowing for a pilot scheme for electricity demand reduction.²⁰

These follow on from a consultation on electricity demand reduction (EDR) that was on-going alongside the introduction of the Bill and which closed on 31 January 2013.

The [consultation outcome](#) was published by DECC on 21 May 2013. The consultation had proposed three possible mechanisms:

- **A Premium payment** – which would provide a payment per kilowatt of electricity saved, similar to a feed in tariff approach. This would involve auctions for electricity demand reduction measures based around a desired volume of energy savings;
- **EDR participating in the Capacity Market** – reductions in electricity demand would be able to bid against those supplying capacity in the Capacity Market and would receive a payment for each kilowatt of demand reduction delivered; and
- **A Supplier Obligation for electricity demand reduction** – where suppliers would be obliged to deliver a volume of savings in the non-domestic sector (as the domestic sector is already covered through ECO) either directly through their customer base or potentially through a traded certificate scheme.²¹

Following the consultation, DECC proposes to amend the Energy Bill to adopt the Capacity Market route, but because there are “some uncertainties” around the practicalities of doing this, it will allow for piloting beforehand.

The provisions will allow energy efficiency projects to bid for back up capacity contracts against large scale generators, in a so-called “megawatt market”.²²

¹⁹ DECC Press Notice 5 February 2013, [New clauses added to strengthen the Energy Bill](#)

²⁰ List of Amendments as of 21 May 2013

²¹ DECC, [Consultation on options to reduce electricity demand Government Response](#) Cm 8631

²² Business Green 23 May 2013 [DECC aims to pilot energy saving auctions next year](#)