



House of Commons
Scottish Affairs Committee

Meeting Scotland's Future Energy Needs: the Westfield Development Centre

Second Report of Session 2005–06



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Report, together with formal minutes

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The Scottish Affairs Committee

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the office of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

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The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/parliamentary_committees/scottish_affairs_committee.cfm. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Mike Clark (Clerk), Diane Nelson (Committee Assistant) and Camilla Brace (Secretary).

Contacts

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Background

1. On 23 March 2005, the Scottish Affairs Committee published its Report on *Meeting Scotland's Future Energy Needs*, (Second Report of Session 2004–05, HC 259–I); the Government's response to the Report (First Special Report of Session 2005–06, HC 579) was received on 10 October and published on 24 October 2005.

2. The inquiry addressed, *inter alia*, how could the shortfall in energy output be met once nuclear power no longer provided Scotland's energy needs? The Committee was able to secure a Westminster Hall Debate on its Report and the Government's response.¹ The debate was held on 1 December 2005, just two days after the Prime Minister had announced a major energy review. In his winding-up speech, the Parliamentary Under-Secretary of State for Scotland paid the Committee this tribute:

“...undoubtedly the issues it addressed and identified with great perspicacity also contributed, in the wider body politic, to the review's announcement”.²

3. It was clear that this was an inquiry of major significance, with implications for the whole of the UK, not just Scotland; accordingly we intended to keep the matter under review, and, if need be, return to the subject at a later date.

The Government's Energy Review

4. On 23 January 2006, the Secretary of State for Trade and Industry and the Minister for Energy launched the consultation document *Our Energy Challenge: securing clean, affordable energy for the long term* (“the Energy Review”).³ The Department of Trade and Industry (DTI) stated that the consultation had a broad scope, and the Review would consider all aspects of the energy system including both energy supply and demand.

5. The Department invited responses as to what should be done to secure clean, affordable energy for the long time, and it was “keen to stimulate a wide-ranging and informed debate on energy policy issues both over the 12 week consultation period and beyond.”⁴

The Westfield Development Centre

6. During the Westminster Hall debate, the House was informed of initiatives taking place at the Westfield Development Centre, where Fife Energy Limited had developed an advanced fuel technology and gasification⁵ plant. Even before the Energy Review had been formally launched, the developments in Fife had already convinced the Committee to pay

1 *Official Report*, 1 December 2005, cols 151WH–200WH.

2 *Ibid.*, col 199WH.

3 See <http://www.dti.gov.uk/energy/review/index.shtml>.

4 *Ibid.*

5 The gasification process can convert any carbon-containing material into a synthetic gas, composed primarily of carbon monoxide and hydrogen; this gas can be used in place of natural gas to, for example, generate electricity.

an informal visit to the site to see for itself an on-the-ground example of energy development in Scotland; this visit took place on 6 March 2006.

7. During our time at Westfield, we were given presentations by Mr Joe Noble, Chief Executive of Scottish Enterprise Fife, Mr Chris Parr, Managing Director of Tullis Russell, Mr Dacre Purchase, Managing Director of Scottish Coal, Mr Peter Dobson of Scottish and Southern Energy's Generation Division, and Mr Harry Graves, Managing Director, and Mr David McDougall, Finance Director, of Fife Energy Limited; summaries of those presentations follow.⁶ We should like to place on record our appreciation for all those who took the time to meet with us, and contribute to what was a fascinating visit.

8. Following a brief history of Fife's role in the coal industry and latterly in the oil industry, Joe Noble outlined new forms of energy production in the area which offered the prospect of developing further Fife's proud traditions in energy supply. He referred to an inter-related picture which included:

- the establishment of the Fife Energy Park at Methil which has already attracted Ocean Power Delivery to manufacture its world-renowned Pelamis wave generation device;
- the award of the contract to Burntisland Fabricators to construct the base sections for the Talisman and Scottish and Southern's distant off-shore wind demonstrators in the Beatrice Field;
- the spin-out partnership in the field of battery research between Scottish Enterprise and St Andrews University; and
- the Westfield site already occupied by Fife Energy, Scottish and Southern Energy, EPS and Scottish Coal.

9. Chris Parr addressed the committee on his concerns about the National Grid. He made it quite clear that unless the Office of Gas and Electricity Markets (Ofgem) rules about connection to the National Grid change, Tullis Russell, which had produced power in the area since 1809 and employed over 550 people, faced difficulty. The Scottish Environment Protection Agency (SEPA) had told Tullis Russell that it must stop using its existing coal boilers by 2010. Ofgem had estimated connection to the Grid in 2014. Along with Scottish Biomass, Tullis Russell had developed an innovative solution to its energy needs but it required to be connected to the Grid in order to sell surplus energy. Mr Parr also outlined the environmental and agricultural advantages of his plans.

10. In order to continue in its current success, Tullis Russell needed the rules governing the Ofgem queuing system for Grid connection to change in order to reflect the size of programmes being planned.

11. Peter Dobson stated that the 123MW Fife Power Station continued to be a very valuable asset amongst Scottish and Southern Energy's portfolio. The plant was capable of generating power from a variety of fuels and he outlined the opportunities in renewable and carbon friendly generation at the site.

6 Copies of the presentations have been reported to the House, and are available for inspection by Members in the House of Commons Library.

12. Dacre Purchase outlined Scottish Coal's work in increasing the amount of biomass in the fuel mix for new and existing power stations, thus significantly reducing CO₂ emissions. He referred also to the benefits of energy crop planting for rural regeneration and wealth and employment creation. He concluded by stressing the importance of Westfield as a flagship one-site energy cluster for Fife and Scotland as a recycling park and centre for waste derived briquetted fuels. He emphasised that Westfield was a project of national significance.

13. Before we actually toured Westfield's gasification plant, Harry Graves and David McDougall outlined the benefits of the project. The development of gasification at Westfield provided an opportunity to help breathe new life into Scotland's coal industry, and resolve the country's waste management and sewage disposal issues. Successful development to full potential would contribute to security of energy supply and make significant inroads on renewables targets. When fully developed, it would, it was stated, be able to rival nuclear power in terms of energy output, but would not face all the environmental issues. What Fife Energy needed as an outcome from the Energy Review was the level of financial support for energy technology that was agreed in the USA last year. Fife Energy hoped to persuade the UK Government to follow suit.

14. In order to begin gasification using clean coal technology and advanced fuel technology, Fife Energy needed a package of financial inducements that would allow it to borrow on the open market at a competitive rate. Currently, banks would not lend on what they regarded as unproven technology—despite evidence of success in South Africa and the USA. Once one gasifier was up and running, combined with a coherent business plan, the banks were almost certain to lend at commercial rates, as they would to any other business. Effectively, Government loan guarantees were the most critical aspect of this package.

15. The Committee was impressed by the prospect of a range of new energy related projects in Fife, which offered not only significant direct job opportunities but also additional employment in manufacturing and support industries that service that sector. We were encouraged that Scotland could produce energy solutions which could guarantee supplies, thereby ensuring that Scotland, and the UK, would not be 'held to ransom' by suppliers from abroad a potential situation the Committee warned about in its Report last year.⁷ Westfield could, we believe, be making a contribution to a supply of energy which would be provided at an affordable price that will ensure that we do not see a return to the days when millions of people in this country suffered from fuel poverty.

Conclusion

16. Due to responses to the Energy Review having to be with the DTI by 14 April 2006, it has not been possible for the Committee to conduct its usual in-depth inquiry, and this Report is not, nor does it purport to be, our own formal response to the Energy Review. We have not had time to visit, for example, a nuclear power station or a wind farm to give balance to the inquiry; this Report deals solely with Westfield.

⁷ Scottish Affairs Committee, Second Report, Session 2004–05, *Meeting Scotland's Future Energy Needs*, HC (2004–05) 259–I, para 24.

17. Similarly, the Committee has not had time to subject what we were told in Westfield to the scrutiny of scientists or technicians etc. Nevertheless, what we heard and saw convinced us that what Westfield are doing was of considerable merit, and the projects outlined to us could produce imaginative technological solutions to fill the energy gap, as well as ‘ticking all the boxes’ in renewable energy development. We therefore shared Westfield’s disappointment that the Minister for Energy had not been able to visit the Centre.

18. We recommend that, before the end of the consultation period, the Minister for Energy visits the Westfield Development Centre to see for himself what work is being undertaken. Alternatively, our interlocutors in Westfield have indicated their willingness to travel down to the Department of Trade and Industry so that they can give the same presentation to DTI Ministers and officials that they gave to us. If the Minister’s commitments do not permit him to be able to visit the site, we urge that they be given the opportunity to put their case at the DTI.

Formal minutes

Tuesday 21 March 2006

Members present:

Mr Mohammad Sarwar, in the Chair

Danny Alexander
Gordon Banks
Ms Katy Clark

Mr John MacDougall
Mr Jim McGovern
Mr Charles Walker

The Committee deliberated.

Draft Report (Meeting Scotland's Future Energy Needs: the Westfield Development Centre), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1–18 read and agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committee (reports)) be applied to the Report.

Several Papers were ordered to be reported to the House.

The Committee deliberated further.

[Adjourned till Tuesday 28 March at 4.00 pm.]

Publications from the Scottish Affairs Committee since 2005

The following publications have been produced by the Scottish Affairs Committee since the beginning of the 2005 Parliament:

Reports

| | | |
|----------------------|---|--------|
| First Report | Work of the Committee in 2005 | HC 836 |
| First Special Report | Meeting Scotland's Future Energy Needs: Government Response to the Committee's Second Report of Session 2004-05 | HC 579 |

Minutes of Evidence

| | | |
|---------------------|------------------------------------|----------|
| Minutes of Evidence | Scotland Office Annual Report 2005 | HC 580-i |
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