



House of Commons
Scottish Affairs Committee

**Meeting Scotland's
Future Energy Needs:
Government Response
to the Committee's
Second Report of
Session 2004–05**

**First Special Report of Session
2005–06**

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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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Committee staff

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First Special Report

1. The Scottish Affairs Committee published its Second Report¹ of Session 2004–05 on 23 March 2005. On 10 October 2005 we received a memorandum from the Scotland Office which contained a response to the Report. The memorandum is published as an Appendix to this Report.

1 Second Report from the Scottish Affairs Committee, Session 2004-05, Meeting Scotland's Future Energy Needs, HC (2004-05) 259-I

Appendix

This memorandum provides the Government response to the conclusions and recommendations identified in the Scottish Affairs Committee's report "Meeting Scotland's Future Energy Needs", published on March 23rd 2005.

Recommendations 1 & 6

As a matter of urgency before any final, irreversible, decisions on what sorts of power generation are the most appropriate for Scotland are taken, we recommend that the Government undertake an audit of the energy resources that are currently available, and then to use that as a basis to work out the energy requirements that will be needed in the future.

The Committee agrees that the debate is not about renewables vs. conventional as both will be needed. The energy audit recommended by the Committee must, therefore, be on the basis that all current forms of energy, whether renewable, fossil fuel or nuclear, will be necessary.

The Government remains committed to the framework for UK energy policy set out in the 2003 Energy White Paper.

In the White Paper we made a commitment to keep our progress towards our energy policy goals under review, for example through the work of the Joint Energy Security of Supply Working Group and our annual reports on implementation of the White Paper.

Another example is the Climate Change Programme Review, which is already showing that we will need to do more to reach our domestic goal for carbon reductions and we are considering the options for addressing this.

The White Paper made clear that, in delivering carbon reductions, developing energy efficiency and renewable energy are our priorities. But the Government agrees that no single form of generation will be the "silver bullet" solution to our broader future energy needs.

Recommendation 2

Given the timescale and uncertainty of "emerging technologies" the Committee consider that it is unwise to assume that they can meet a quarter of the renewable proportion of Scotland's energy needs. We would urge that further research and development is urgently required to ascertain their viability.

The Scottish Executive's renewables targets are matters for the Executive.

Scotland has good renewables resources and is important to achieving the UK 2010 target for 10% of the UK's energy supply to come from renewables. But the Government concurs that it is not possible at this stage to assume that emerging renewables (i.e. biomass, solar,

wave and tidal) can meet a quarter of the renewables proportion of Scotland's energy needs.

In the short term, most additional renewables capacity is expected to be in the form of wind energy (through an expansion of both onshore and offshore generation). We expect wind energy to make the major contribution (around 7%) to the UK target of renewables contributing 10% of our electricity supply by 2010.

In the longer term the Government wants to see a broad range of renewable technologies coming forward but it is too early to assess what the precise mix of renewables will be.

The main mechanism for supporting renewable energy in the UK—the Renewables Obligation—is technology-neutral. It is not for Government to reserve particular shares for individual technologies.

Recommendation 3

Given the vast reserves of coal within the United Kingdom, it must have a part to play in meeting our future energy needs; therefore, coal-burning power stations in the UK must be fitted with the equipment necessary to capture carbon dioxide and sulphur. The Committee recommends that the Government shows its commitment to the future of the UK coal industry by agreeing to underwrite the cost of providing and installing such equipment at coal-burning power stations.

In his Budget Statement this year, the Chancellor announced that the Climate Change Programme Review would be investigating the potential for incentives to encourage the deployment of Carbon Capture and Storage Technologies. These technologies have the potential to radically reduce emissions from coal-fired plant. We will be looking at a wide range of options to determine which, if any, would be the most effective.

The Government also announced its Carbon Abatement Technology (CAT) Strategy in June which aims to stimulate the development of technologies which would reduce, if not almost eliminate, CO₂ emissions from fossil fuel plant such as coal. With the publication of this Strategy DTI Ministers announced £25m for funding demonstrations of emerging low-carbon technologies including more efficient plant and Carbon Capture and Storage.

Recommendation 4

The major problem with nuclear fusion, which appears to be a particularly benign and efficient way of producing electricity, is that it will not be available until nearly the mid-21st century. As the UKAEA witness stated, it is 30 years at least before a commercial fusion reactor would be available. Nevertheless, nuclear fusion, could be a major source of power in the not too distant future, although more research may be required.

Nuclear fusion has the potential to provide a new long-term source of energy, and because there are no greenhouse gas emissions from fusion during its operation, it is an energy source that would make no contribution to the global warming. Nuclear fusion would also create manageable waste and little risk to public health and safety.

Fusion has been under development for some 50 years and, as the 2003 Energy White Paper indicated, we are still a long way from a commercial power plant, because of the scientific and technological challenges posed by harnessing the energy created from a fusion reaction.

To make progress, and make fusion a reality as an energy source, requires a lot more research in a number of areas including plasma physics and materials. The scale of resources required has led to the need for international collaboration, and there has been agreement between the major international parties involved that the next step will be the construction of the ITER fusion research project to demonstrate the feasibility of fusion power.

Very recently, the six parties participating in the ITER project, China, EU, Japan, Russia, South Korea, and the United States decided to build this project at Cadarache in France. Work will now proceed to finalise the ITER agreement which will allow construction to start.

Recommendation 5

The Scottish Executive must clarify its position and state whether the “40 per cent renewables” refers to generation or consumption.

This is a matter for the Scottish Executive.

Recommendation 7

The Committee recommends that a fundamental, and immediate, review of the transmission charging regime takes place.

Management of the electricity market, including charges to meet the costs of providing the high voltage transmission grid, entails balancing the interests of different generators and the range of interests of those who distribute and use electricity. Oversight of the electricity market is the responsibility of an independent Regulator (Ofgem).

In preparing to introduce the single GB-wide electricity market under BETTA from April 2005 the National Grid Company as operator of the transmission grid and Ofgem consulted widely and in considerable detail on the approach to setting charges fair to all concerned. The arrangements introduced are seen as cost reflective and designed to promote the efficient use and development of the grid. Under BETTA charges paid by users of the grid across GB will fund the expansion of the transmission infrastructure needed to accommodate increased generation from renewable sources in the Highlands.

The Government recognises that Scottish electricity companies and other generators had concerns about the new structure of charging generators for connecting to the grid under BETTA. While Scottish-based generators face higher charges since it costs more overall to deliver the power they produce to consumers, electricity supply businesses pay lower grid charges in Scotland when downloading power for sale to final consumers since they are in an area with surplus generating capacity. In approving the system of charges under BETTA from April 2005, Ofgem recognised that further consideration should be given to a number of specific aspects of the methodology used to determine grid charges. Ofgem invited the

National Grid Company to undertake further work on these aspects and to consult on possible improvements over the next couple of years.

The Government also accepted that high charges facing generators in the most remote parts of the Highlands and Islands might inhibit development of new renewable energy generation in an area of considerable potential. Based on a study of the impact on renewable generators the Energy Minister is consulting on possible use of powers in s.185 of the Energy Act 2004 to keep down the highest costs of transmission charges which would otherwise apply to renewable generators proposing to connect from the Islands.

Recommendation 8

The best way of ensuring that Scotland's energy supply is maintained is by conserving energy. We therefore commend the Government's current Energy Efficiency campaign, particularly the television advertisements which seek to convince the British people that one person can indeed make a difference by simply switching off, eg, an unused light or lamp.

The Government welcomes the Committee's recognition of the value of programmes to influence consumer awareness, attitudes and behaviour, and in particular the advertisements mentioned. These are just one of the many programmes of the Energy Saving Trust whose activities in Scotland are funded and overseen by the Scottish Executive.

Recommendation 9

We commend those companies who, under the Energy Efficiency Commitment, are helping priority households to lower their energy costs by providing them with free loft and cavity wall insulation, and those builders who are incorporating, solar panels, for example, as standard in or on their new build homes and office blocks.

The Government recognises the significant role of the Energy Efficiency Commitment (EEC) in contributing to the Climate Change Programme by cutting greenhouse gas emissions. In providing particular help to low-income consumers, it is expected that the EEC will also assist in the alleviation of fuel poverty.

Recommendation 10

We call upon the Government to continue to improve through national regulations, the standard of building construction, both commercial and residential to ensure that maximum energy efficiency is realised. The Committee was impressed in its visit to the San Francisco Public Utility Company at their efforts to ensure that minimising energy use was integral to the city's planning processes for development. We accordingly recommend that the government provide tax incentives such as reductions in VAT, to encourage a rigorous energy audit before any substantial development so that the developer works towards a zero or minimal net energy demand. This should be extended to existing homes.

Building Regulations are devolved, so those in Scotland are a matter for the Scottish Executive.

Under the EU Energy Performance of Buildings Directive, the energy certification of all buildings will become mandatory whenever they are constructed, sold, or rented out. This Directive enters into force in January 2006. In Scotland, implementation will be overseen by the Scottish Building Standards Agency.

Taxation matters are routinely considered by the Treasury and the annual Pre Budget Report identifies measures under consideration in the run up to each Budget package.

Recommendation 11

We concur absolutely with the House of Lords Science and Technology Committee's conclusions on the management of nuclear waste; we hope that the Lords Committee, and this Committee's successor, will keep the matter under review, and ensure that neither CoRWM nor the Government allow the July 2006 target date for a final decision on how to manage such waste to be missed.

Radioactive Waste Policy is devolved although the The Committee on Radioactive Waste Management (CoRWM) was jointly appointed by Scottish Ministers along with the Secretary of State for Environment, Food and Rural Affairs and Environment Ministers for Wales and Northern Ireland.

The Government, and all of the sponsors of CoRWM, agree the importance of adhering to the July 2006 recommendation delivery date. The Government's response to the House of Lords Science and Technology Committee's December 2004 report on Radioactive Waste Management was submitted in February 2005. This said that the need to have CoRWM's recommendations by July 2006 had been repeatedly stressed to the Committee. Since that date, CoRWM has, in April 2005, issued its second consultation document on its proposed short-list of management options and assessment methodology. By July 2005, the Committee should have finalised this short-list and assessment methodology, to provide a basis for the final stages of its work to recommendation delivery.

Recommendation 12

We consider that UKAEA, in conjunction with its partners, is doing all it can to assist its loyal and skilled Dounreay workforce who are facing an unsure future. We consider also that the Government should stand ready to listen to any proposals put forward by UKAEA or the Nuclear Decommissioning Authority etc to ensure that the workforce are given all possible support. In addition, Dounreay contributes approximately £80 million into the Highlands through salaries, pensions, contracts and sub-contracts. Caithness and the rest of the Highland Region must be assisted also to overcome the problems which could ensue in a few years' time.

Radioactive waste management policy is devolved.

NDA will work closely with local communities around its sites (including those in Scotland) to consider how the socio-economic impact of decommissioning and ultimate closure of those sites can be alleviated. In 2005/06 the NDA will continue to fund the work

that BNFL and UKAEA were formerly doing on this. This includes working with the supply chain, sponsorship, and donations to local community projects and helping local business development. The Department of Trade and Industry and the Scottish Executive will expect NDA to provide advice, in its first strategy, on how this important work should be taken forward in the longer term.

Local economic development is devolved so assistance in the longer term to the Caithness Area in coping with changes at Dounreay is primarily a matter for the Scottish Executive.

Scotland Office

6 October 2005