

REPORT TO THE EUROPEAN COMMISSION ON THE UK'S COMPLIANCE WITH THE RENEWABLE ENERGY DIRECTIVE 2001/77/EC

Article 3 - National Indicative Targets

Under paragraphs 2 and 3 of Article 3, we are reporting on renewable energy targets, progress towards these and measures taken to achieve these.

Targets

The UK's indicative target under the Directive is set at 10% gross electricity consumption by 2010 (national electricity production, including autoproduction, plus imports minus exports).

The British Government has set a target of 10% electricity eligible for the Renewables Obligation to be supplied by 2010. The Renewables Obligation for England and Wales and an equivalent Order for Scotland came into force on 1 April 2002 and apply until end March 2027. Between them, these require electricity suppliers in Great Britain to supply an increasing amount of their electricity, year on year, from renewables reaching 10.4% in 2010/11 and remaining constant thereafter until 2027. Eligible renewables largely reflect those listed in the Directive but the Obligation limits support for hydro, does not support mixed waste incineration nor does it apply to licence exempt supply (e.g. autoproduction). The Renewables Obligation target is, however, compatible with and broadly equivalent to the indicative target in the Directive.

Progress towards targets

The most recent statistics collected show that the percentage of UK electricity **consumption** accounted for by renewable sources included under the Renewables Directive increased from 2.51% in calendar year 1999 to 2.54% in 2000 and 2.86% in 2001. The main reason for the increase in 2001 (despite the reduction in the supply from large scale hydro schemes because of the low level of precipitation in the catchment areas, especially in the winter of 2000/01) was the inclusion of imports of renewable sourced electricity over the interconnector with France (mainly hydro).

On the basis of the technologies now eligible for the Renewables Obligation, the percentage of UK electricity **sales** from eligible

renewables rose from 1.18% in 1999 to 1.33% in 2000 and 1.52% in 2001.

In 2001, large scale hydro generation was 21% lower than in 2000 (because of lower rainfall). As a result, renewables provided 2.6% of the electricity **generated** in the UK in 2001, 0.2% less than in 2000.

N.B. These figures are all on different bases. The Directive is based on consumption, the Obligation is in terms of the % of electricity sales and the traditional renewables and wastes % in the UK is in terms of generation.

Measures taken to achieve the targets

The Government has introduced a range of measures to increase the deployment of renewables electricity. The main ones are :

- **the Renewables Obligation** (from 1 April 2002). This will be the main mechanism in England and Wales and, separately, in Scotland through which we plan to achieve the UK's indicative target for renewables electricity. The Obligation is a long- term measure, carefully devised to provide a stimulus to renewable energy deployment while being market led and with a ceiling on the additional cost to the consumer. We estimate that the Obligation will cost consumers an extra 4.4% p.a. on average in 2010 compared to 1999 electricity prices. The introduction of the Obligation has resulted in consent being sought for a significant number of large scale onshore and offshore wind energy proposals. For instance, consent has now been given to the first two large scale offshore wind farms, one with a capacity of 76MW and the other 90MW. Industry has welcomed the Obligation and it has also resulted in a number of large companies becoming involved with or in expanding their involvement in renewable energy. This is a welcome strengthening of the renewables base in the UK.
- the safeguarding of existing **Non-Fossil Fuel Obligation (NFFO) and Scottish Renewables Obligation (SRO)** contracts following the separation of supply and distribution licences.
- the introduction of **NFFO and SRO Flexibility Orders** permitting those projects that had not obtained planning consent at their original site to move to another site.
- exemption of renewables electricity from the **Climate Change Levy (CCL)**. The CCL was introduced in April 2001. It is a tax on the business use of gas, coal and electricity. There is an exemption from the CCL for electricity produced from most forms of renewable energy. The rate of levy for electricity is 0.43p/kWh and

the benefit of the exemption will help to support the market for renewable energy.

- **capital grants** for those technologies close to commercialisation but not there quite yet - e.g. offshore wind and energy crops. These technologies (with onshore wind energy) are seen as key to the achievement of the 10% target. In all, grants of around £250m have been set aside for a range of renewable energy technologies and initiatives.
- an **enhanced R&D programme** to bring forward longer term technologies such as wave and tidal stream. This programme is now running at £19m p.a.
- a positive approach to **renewables planning** at regional level in England and Wales with regional assessments of renewables resources carried out to give an idea of possible regional targets for renewables. It is intended that these studies will feed into sustainable development strategies and local planning frameworks, thereby clarifying the scope for renewables developments in particular areas.
- revision of **national policy planning guidance** on renewables in England and Wales is currently in hand. When this is finalised it will provide Local Planning Authorities with up to date planning advice and set local planning for renewables within a national context. The relevant national planning policy guidance in Scotland was amended in 2000.
- The Performance & Innovation Unit has proposed to Government a 20% by 2020 renewables electricity target. An **Energy White Paper** is in preparation and is expected to establish a longer term approach to renewable energy, including the question of a renewables target for 2020.
- At present, the Scottish Executive is out to consultation on a proposal for a 40% by 2020 renewables electricity generation target for Scotland.
- There is a consultation planned shortly on an offshore renewables strategic framework and the consents process within and beyond the UK's 12- mile territorial sea limit. A separate consultation is being held in Scotland.
- Direct rule has very recently been re-introduced in Northern Ireland. Just before this measure was taken, an Energy Bill was under discussion by the then Northern Ireland Assembly and included taking powers to introduce a Renewables Obligation for Northern Ireland. One outcome of this Bill would have been to create the possibility of UK-wide trading in Renewable Energy

Certificates. There is currently some uncertainty as to whether the measures in this Bill will proceed under direct rule.

Increased renewables deployment is an important element in our climate change strategy and in the context of the UK's climate change commitments, we expect the achievement of the UK's 10% supply target to lead to carbon savings of around 2.5million tonnes a year by 2010.

Further details :

The Renewables Obligation Statutory Consultation (August 2001) :
www.dti.gov.uk/renewable/pdf/energymaster.pdf

Renewables Obligation Order 2002 (SI 914) :
www.legislation.hmso.gov.uk/si/si2002/20020914.htm

Renewables Obligation (Scotland) Order 2002 (SSI 163)
www.scotland-legislation.hmso.gov.uk/legislation/scotland/SSI20020163.htm

Consultation (open) on Scotland's Renewable Energy Potential (40% by 2020)
www.scotland.gov.uk/library5/environment/renewenergy/2010.pdf