



Election 2010

Energy & Environment - April 2010

What's the future for energy, water and waste?

An at-a-glance guide to the policies of the three main political parties in key areas affecting the energy, water and waste sectors.

| Conservative | Labour | Liberal Democrat |
|---|---|---|
| Energy Market Reform | | |
| <p>Secretary of State to make annual statement of energy policy to Parliament.</p> <p>Ofgem to be reformed to focus on economic regulation and implementing energy policy. Its competition policy and consumer protection powers will pass to the Office of Fair Trading.</p> <p>Capacity in the electricity market to be monitored. Capacity will be maintained either through a requirement on suppliers to have sufficient capacity and demand control options or through auctions run by Regulator to fill capacity shortages.</p> <p>Renewables Obligation to be replaced wherever possible with mechanisms such as feed-in tariffs that produce a predictable and appropriate stream of revenues for low carbon technologies whose economics are determined by upfront capital costs rather than variable fuel costs.</p> <p>An Emissions Performance Standard will set a cap on greenhouse gas emissions from fossil-fuel generating stations.</p> | <p>Regulatory system to be reformed to provide certainty for investors.</p> <p>Will examine whether Ofgem needs further reform – implicitly by addition of further powers.</p> <p>The DECC/Treasury Energy Market Assessment sets out options for market reform, with an Energy White Paper promised in 2011. Options to secure adequate generating capacity include:</p> <ul style="list-style-type: none"> • Measures to tackle barriers that discourage investment into R&D of electricity storage technologies; • More effective balancing price signals; • Capacity mechanisms by the end of the decade such as placing obligations on suppliers to demonstrate they have adequate spare capacity, or on National Grid to maintain a pre-determined capacity margin by running long-term capacity tenders. <p>The main reform options for low carbon generation include:</p> <ul style="list-style-type: none"> • support for low-carbon generation in the form of a low carbon obligation, feed-in tariffs, or a contract for difference on the electricity price, where Government and the low carbon generator would agree a fixed price for electricity sales; • regulatory limits on investment in higher-carbon forms of generation, either through limiting consents or imposing restrictions on emissions or hours of operation; or | <p>Guaranteed price support for new renewables.</p> |



Please email Paul Brennan at paul.brennan@morgan-cole.com with your feedback, comments and suggestions on this publication. If you would like to receive further copies, including copies produced using a larger typeface, or information relating to our services in this area, please call 0118 955 3004

| | | |
|--|--|---|
| | <ul style="list-style-type: none"> establishment of a separate low-carbon market through a competitive tendering approach for low-carbon generation, a fixed feed-in tariff, or economic regulation along the lines of electricity network price controls. | |
| | Will legislate to ensure greater competition in retail supply if Ofgem Regulation does not produce the desired results. Possible measures include limiting self-supply, obligatory trading with third parties and/or a central market maker, mandatory auctions and reducing barriers to licence changes. | |
| Renewables | | |
| Renewables to account for 15% of all energy production by 2020 (as per EU targets). | Renewables to account for 15% of all energy production by 2020. 40% of electricity to come from low-carbon sources by 2020 – renewables, nuclear and clean fossil fuels. | Renewables to account for 15% of all energy production by 2020. 40% of UK electricity to come from non-carbon-emitting sources by 2020, rising to 100% by 2050. |
| Feed-in tariffs to be used for future renewable energy investments, including round three of the offshore wind development programme, “wherever this would offer better value for money to the public and reduce the cost of capital”. Facilities currently operating under the RO would be given the option of continuing unaffected or transferring to a feed-in tariff. | Market support for renewables under consideration, see Energy Market Reform . DECC is consulting on extending grandfathering rights (which preserve ROCs banding rates applicable on accreditation) to dedicated biomass projects, anaerobic digestion, and energy from waste with CHP. It also intends to consult on the introduction of sustainability criteria for biomass. | Guaranteed price support for new renewables. |
| Committed to feed-in tariffs to promote small-scale renewables. | Feed-in tariffs for small scale renewable energy generation introduced April 2010. | Improved feed-in tariffs for micro-generation. |
| Establishment of at least two Marine Energy Parks. | £60 million earmarked in the April 2010 budget for the development of UK port sites to support offshore wind turbine manufacturers. A decision early in the next Parliament on the feasibility of alternative options for a tidal energy project on the Severn estuary, taking full account of the environmental impacts. | Three-quarters of new renewable energy to come from marine and offshore sources. Invest up to £400 million in refurbishing shipyards in the North of England and Scotland so that they can manufacture offshore wind turbines and other marine renewable energy equipment. |
| | | Use the money from reform of Single Farm Payments to provide <i>inter alia</i> , cheap loans for farmers to invest in biogas digesters. |
| Nuclear | | |
| Will clear the way for new nuclear power stations, provided they receive no public subsidy. | Continuation of the Strategic Investment Fund which supports investment in the nuclear and renewables sectors. Market support for nuclear under consideration, see Energy Market Reform . | No new nuclear. |
| | DECC currently consulting on establishment of Office for Nuclear Regulation, charging for nuclear waste management and funding | |



| | | |
|--|--|--|
| | the decommissioning programme. | |
| Carbon Capture and Storage (CCS) | | |
| All new coal-fired power stations to incorporate CCS enforced by an Emissions Performance Standard. | No new unabated coal-fired power stations. | No new coal-fired power stations unless accompanied by the highest level of carbon capture and storage facilities. |
| CCS demonstration process for a total of four CCS equipped generating stations to be accelerated. | CCS Demonstration Projects for up four CCS equipped generating stations. | |
| CCS demonstration projects to be funded through EU ETS receipts, but if this caused undue delay the Energy Act 2010 Electricity Supply Levy mechanism would be used. | The Energy Act 2010 Electricity Supply Levy will fund financial assistance for CCS demonstration projects. Additional market support for CCS under consideration, see Energy Market Reform . | |
| Oil and Gas | | |
| Will work with UK importers to secure new and reliable long-term supply contracts with overseas producers. | | |
| Obligation on gas suppliers to secure adequate flexibility (e.g. storage) to ensure that the UK gas system can withstand a sustained disruption of external supplies during the winter period of peak consumption. | Proposals on gas security supply under development. | |
| Reform the taxation and licensing of exploration and development. | | Keep the oil and gas tax regime under review to secure the maximum long-term benefit of North Sea reserves. |
| Reform access arrangements for North Sea infrastructure. | | |
| Energy Networks & Metering | | |
| Establish a 'smartness' criteria for the renewal and replacement of existing transmission and distribution infrastructure. | A smart grid using new information technologies. | Transform the electricity networks into a dynamic electricity grid that can better connect and integrate new, clean energy technologies. |
| Under an accelerated programme most homes and business to have smart meters by 2016. | By 2020 every home will have a smart meter. | Smart meters for all homes in 5 years. |
| Deliver an offshore electricity grid to support the development of offshore wind power. | Will seek European co-operation in the development of offshore electricity grids. | Better use of sub-sea connections, leading to the development of a European Supergrid. |
| Promote interconnection with smart grids overseas. | | A renewables routemap to 2050 will cover grid access and investment in electricity networks. |
| Incentives for electricity network operators to establish a new national car recharging network, for electric and hybrid vehicles. | | |
| Consumer Energy Bills | | |
| Minimising subsidies will reduce consumers' bills. | Will work with the regulator to promote greater competition and diversity in the | Tariffs used by energy supply companies to charge essential energy usage at the |



Please email Paul Brennan at paul.brennan@morgan-cole.com with your feedback, comments and suggestions on this publication. If you would like to receive further copies, including copies produced using a larger typeface, or information relating to our services in this area, please call 0118 955 3004

| | | |
|--|--|--|
| | supply of energy to ensure falling wholesale prices are passed on. | cheapest rate. Protection for off-grid gas consumers. |
| Consumer-funded subsidies will be disclosed on energy bills. Bills will provide consumers with information on how to move to the supplier's cheapest tariff and how their energy usage compares to similar households. | A statutory code on consumer rights, including a requirement to provide information on the supplier's cheapest available tariffs. An Ombudsman will have the power to force companies guilty of breaches, such as mis-selling, to compensate consumers directly. | |
| Post Office Card Account holders to benefit from direct debit discounts, worth up to £150 a year. | Post Office to create access to direct debit discounts. Under Energy Act 2010 energy companies will be required to introduce discounted energy bills for pensioners and families on low incomes, by approximately £100 a year. More help with energy bills through Winter Fuel Payments. | Social tariffs for disadvantaged families. |
| Transport Fuel | | |
| Renewable Transport Fuel Obligation to be limited to biofuels that meet an acceptable sustainability standard. | Will press for the introduction of sustainability standards for biofuels at EU level. | |
| Support move to battery powered vehicles by putting responsibility for charging points on distribution network operators, enabling up-front price regulated investment, and establishing common standards for vehicle and network technologies that will maximise flexibility in development and deployment. | Aiming for ½ million battery-charged and hybrid vehicles by 2020. Incentives of up to £5,000 for electric car purchase. 100,000 battery charging points in the next five year. | Invest £140 million in a bus scrappage scheme to help bus companies introduce new, low carbon buses. |
| | 14% cut in CO2 emissions from transport by 2020. | Prepare for move to road use pricing and reduced fuel duties. Tighter regulation of vehicle emissions. Push the EU for a zero emissions target for all new cars by 2040 and extension of targets to other vehicles. Reduced rates of fuel duty for rural users. |
| CO2 Emissions | | |
| Will meet international commitments on CO2 emissions (which include limits under the EU Emissions Trading Scheme and a 16% reduction on 2005 levels in greenhouse gas emissions not covered by the EU ETS by 2020). 80% reduction in CO2 emissions by 2050. | Climate Change Act enshrines 80% CO2 reduction target for 2050 and a 34% reduction in the carbon budget for 2018 – 2022 (on 1990 levels). | 40% reduction in UK CO2 emissions by 2020. Carbon neutrality and 100% 2050. |
| Will work towards a global deal to limit emissions to incorporate a 30% reduction in EU emissions by 2020. | Will push EU to increase Europe's 2020 emission reductions from 20% to 30% by 2020 in the context of a global deal. | Will push for a unilateral and immediate move to an EU emissions reduction target of 30% by 2020. |
| Climate Change Levy (CCL) to be revised to create a floor price for carbon, with CCL payable on fuel consumption | From 2011 the CCL discount for Climate Change Agreement participation to be reduced from 80% to 65%. CCL will be | Reform of the EU emissions trading scheme through a tighter cap on emissions, auctioning as many |



| | | |
|---|--------------------------------|--|
| for electricity production rather than on electricity supply. Generators will be able to offset liability through acquiring emissions trading allowances. | raised in line with inflation. | allowances as possible. Encouragement of other EU countries to make increased use of reserve prices in allowance auctions. |
| | | Strengthen the Carbon Reduction Commitment Energy Efficiency Scheme. |

Energy Efficiency & Heat

| | | |
|--|---|--|
| A 10% cut in central government emissions within one year. | DECC has pledged to cut its own emissions by 10% in 2010. | Companies and government departments to report on their energy use and set targets for reducing it. A 30% energy efficiency improvement target for 2020. Will commit to the goals of the 10:10 Campaign (a 10% cut in emissions in 2010). |
| A 'Green Deal', will give every home up to £6,500 worth of energy improvement measures (with more for hard-to-treat homes) paid for out of savings on fuel bills over 25 years. 10% of the staff directly employed by 'Green Deal' providers to be apprentices. | 'Pay As You Save' for home energy efficiency improvements. All household lofts and cavity walls to be insulated, where practical, by 2015. 7 million homes will be eligible for a fuller 'eco-upgrade'. | A 10 year programme of home insulation, offering a home energy improvement package of up to £10,000 per home, paid for by savings from lower energy bills. A one year 'Eco Cash-Back' scheme, paying £400 for installation of domestic double-glazing or micro-generation, or boiler replacement. |
| | Parts L and F of the Building Regulations currently under review. New homes to be zero carbon by 2016. Landlords to be required to properly insulate rented homes. Social tenants will be offered free energy efficiency measures. Warm Home Standard for social housing. | Immediate improvements in building regulations for energy efficiency in new homes. |
| Feed-in tariffs for waste heat capture from sustainably resourced fuels and waste. | Renewable Heat Incentive scheduled for introduction in April 2011 with tariffs designed to deliver 12% return on the additional cost for renewables (6% for solar thermal). | Develop new incentives to promote renewable heat. |

Water

| | | |
|---|--|--|
| Water industry sector reform, with increased competition and development of trading between companies over a virtual grid. Simplification of price review process and move towards incentive based mechanisms. | Role of Ofwat to be reviewed to improve consumer protection. | Address unfairness in water charges by consulting on implementation of the Walker Review which recommended action to deal with regional unfairness in water charges. |
| Increased use of metering, including smart metering. | Universal water metering in areas of water stress. | Compulsory smart meters in areas of shortage. |
| Reduce water company leakage. New measures to encourage water efficiency by business and consumers and to protect poorer households from excessive rises in water bills. | | Reduce water company leakage. |



Please email Paul Brennan at paul.brennan@morgan-cole.com with your feedback, comments and suggestions on this publication. If you would like to receive further copies, including copies produced using a larger typeface, or information relating to our services in this area, please call 0118 955 3004

| | | |
|--|--|---|
| More flexibility in charging for surface water drainage. | Legislation to improve flood and water management. Planning Act 2008 National Policy Statements for waste water and water supply infrastructure to be finalised in 2011 and 2012. | Introduce planning policies to restore water channels, rivers and wetlands and reduce flood risk by utilising the natural capacity of the landscape to retain water. |
| Waste | | |
| Will work towards a zero-waste society. | Will move towards a zero-waste Britain. Target of 50% recycling of municipal waste by 2050. | Will set targets for zero waste. |
| Councils to be encouraged to pay householders to recycle. Labour's plans for domestic bin taxes to be scrapped. | Climate Change Act 2008 enables up to five local authorities in England to pilot a scheme offering financial incentives to residents to throw away less and recycle more. No local authority has yet lodged an expression of interest. | |
| A "Responsibility Deal" on waste - a voluntary arrangement among producers to cut back on waste and improve its disposal. | | |
| A landfill tax floor will be introduced up until 2020 to encourage alternative forms of waste disposal. | <p>£8 per tonne increase in the standard rate of landfill tax in April 2014. The rate will not fall below £80 per tonne in the future. The lower rate of landfill tax will remain frozen at £2.50 per tonne in 2011-12.</p> <p>Recyclable and biodegradable materials to be banned from landfill.</p> <p>National Policy Statement for hazardous waste infrastructure to be finalised in 2011.</p> | Aiming to end the use of landfill, through a huge increase in anaerobic digestion to generate energy from food and farm waste, and improving design and durability product standards and reducing excess packaging. |
| Local Authorities and Communities | | |
| New powers for local authorities to establish new district heating networks which use biogas and other low carbon fuels. | New powers for local authorities to develop local energy systems such as renewables and district heating, including new powers to sell electricity. | Setting aside extra money for schools to improve the energy efficiency of their buildings, to be paid back from energy savings, creating a rolling fund to help insulate every public building. |
| Allow local authorities to use the planning framework to promote integrated district heating schemes. | New power for lower authorities to hold energy companies to account for the community energy efficiency programme. | |
| Promote community ownership of windfarm schemes. | Promote community ownership of renewable energy projects. | Encourage community-owned renewable energy schemes where local people benefit from the power produced. |
| Communities hosting renewable energy projects will be able to keep the additional business rates they generate for six years, and benefit from discounted electricity prices. | | |
| Local Authorities, housing associations, social enterprises and community groups would be able to participate in financing, marketing and delivering efficiency improvements under the "Green Deal" (see Energy Efficiency). | Will support community-owned companies. | Update the law on Mutuals, Co-operatives and Social Enterprises Bill and give responsibility for Mutuals to a specific minister. |



Planning

| | | |
|--|---|---|
| Abolish Infrastructure Planning Commission (IPC) with major infrastructure projects to be considered at planning inquiries with binding timetables, with final permission given by a Minister. Transitional arrangements for projects already before the IPC. | IPC retained. National Policy Statements for energy to be designated by the end of 2010. | Abolish the IPC and return decision making, including housing targets, to local people. |
| A consolidated national planning framework (based on the National Policy Statements currently under development) setting out national economic and environmental priorities to be debated by Parliament will include a presumption in favour of sustainable development in the planning system. | A comprehensive assessment of Britain's natural resources will be followed by a White Paper on national policy, regional planning strategies and local authority action. | |
| An 'open source' planning system, with neighbourhoods able to specify the kind of development they want to see in their area. Neighbourhood plans will be consolidated into a local plan. There will be no power for planning inspectors to rewrite local plans. Regional Spatial Strategies and building targets to be abolished. The planning system will permit fast-track planning for energy projects and be "proofed" against Judicial Review. | Following the Killian Pretty Review, a series of procedural modifications to the Town and Country Planning system are in the process of implementation. National Policy Statements currently under development/review include " <i>Planning for a Low Carbon Future in a Changing Climate</i> " and " <i>Planning for a Natural and Healthy Environment</i> ". | |
| Appeals against local planning decisions (to include third party appeals) will be limited to cases that involve abuse of process or failure to apply the local plan. | | Third-party rights of appeal in cases where planning decisions go against locally agreed plans. |
| Tariffs to be paid by Developers to local authorities to compensate for loss of amenity and costs of additional infrastructure. The tariff will replace the current system of payments and levies on development. A portion of the tariff will be kept by the neighbourhoods in which the development takes place, providing incentives for them to accept development. | Arrangements for Community Infrastructure Levy came into force in April 2010. | |

Investment and Finance

| | | |
|--|---|---|
| A Green Investment Bank drawing together money currently divided across existing government initiatives such as the Carbon Trust and the Marine Renewables Deployment Fund, leveraging private sector capital to finance new green technology start-ups. The Bank will offer individual green savings accounts. | A Green Investment Bank to invest in low-carbon infrastructure, with the Government's stake funded by the sale of infrastructure assets. Aims to attract at least £1 billion of match funding private-sector investment. | Establishment of United Kingdom Infrastructure Bank to finance essential projects such as new rail services and green energy. The Bank will provide capital, guarantees and equity to infrastructure projects. Aims to attract the funds of institutional investors, such as annuity funds looking for a home in the UK, and retail investors. |
|--|---|---|



Please email Paul Brennan at paul.brennan@morgan-cole.com with your feedback, comments and suggestions on this publication. If you would like to receive further copies, including copies produced using a larger typeface, or information relating to our services in this area, please call 0118 955 3004

| | | |
|--|--|---|
| | | A £3.1 billion a green economic stimulus and job creation package in the first year. |
| | Establishment of a new Small Business Credit Adjudicator with statutory powers ensuring that SMEs are not turned down unfairly when applying to banks for finance. | Taxpayers' representatives on the boards of banks owned or part-owned by the public to insist that banks lend to viable businesses on fair terms. |
| Creation of a National Loan Guarantee Scheme for SMEs. | The Finance for Growth Fund will bring together £4 billion of public funds and combine it with private money to channel equity to business. Within this, the Growth Capital Fund will focus on SMEs which need capital injections of between £2 million and £10 million and the Innovation Investment Fund will focus on the needs of high-tech firms. | Support the establishment of Local Enterprise Funds to help local investors put money into growing businesses. Introduce Regional Stock Exchanges as a route for business to access equity without the full regulatory requirements of a London listing. |
| End use of the Export Credit Guarantee Department to support investment in fossil fuel power stations, and instead use it to help spread new green energy technology to developing countries. | Strengthened support for exporters. | |
| | Extend the public interest test so that it is applied to potential takeovers of UK infrastructure and utility companies. Support from two thirds of shareholders will be required to secure a change of ownership. | |
| Tax | | |
| Improve Britain's international rankings for tax competitiveness and business regulation. Consult on moving towards a territorial corporate tax system that only taxes profits generated in the UK. | Keep business taxation competitive. | |
| Initial cut in corporation tax from to from 28p to 25p and in the small companies' rate from 21p to 20p. | No tax rises in next Parliament. | Corporation tax "anti-avoidance measures". Simplification of tax system. |
| Corporation tax reduction to be funded by reducing complex reliefs and allowances. | Protect and increase the size of capital allowances for key sectors such as manufacturing. | |
| R&D tax credits to be improved and refocused on hi-tech companies, small businesses and start-ups. | Incentives for companies to invest through R&D tax credits. | |
| Create an attractive tax environment for intellectual property. | Patent Box – a 10% rate of Corporation Tax to encourage UK-based innovation supporting new industries and sectors. | |
| Increase the proportion of tax attributable to environmental taxes. Reform air passenger duty to encourage a switch to cleaner and fuller planes. | | Switch from Air Passenger Duty to a per-plane duty. Increase duty charge for "non-lifeline" domestic flights. |
| Simplification of the Controlled Foreign Companies rules. | Discussion document on proposals for reforming the UK tax treatment of controlled foreign companies released in January 2010. | |