

ENERGY MINISTER MIKE O'BRIEN'S SPEECH
at the SOUTH EAST OF ENGLAND RENEWABLE ENERGY CONFERENCE
Madejski Stadium, Reading, 4 November 2004

Climate change affects each and every one of us. Tackling climate change is an important driver of the Government's renewables policy. One of the biggest challenges in the South East is encouraging more renewables development. And it is not just Government but business and local communities who can play a role in this.

If we are to achieve our objectives on renewables, it is clear that we will need the support of local and regional activists working on the ground. The work of such activists is critical, both to win hearts and minds. We must make the most of opportunities from the development of renewables for local economies and communities.

Local Councils, Regional Development Agencies and other local and regional partners have a critical role to play in the delivery of national energy objectives. The 2003 White Paper called upon all regions to develop a strategic approach to energy issues, including renewables. This meant developing regional objectives and action plans based upon their own specific opportunities and circumstances.

Business

Exciting times lie ahead for renewable energy in the UK. Currently, 2.7% of UK electricity is supplied from renewable sources. The Government target of increasing this to 10% by 2010, with an aspiration to double this by 2020, demands substantial capital investment.

The challenge is for UK companies to win as much as it can of the business that will be generated over this period. It is estimated that there are 8000 people employed in renewables in the UK, supporting a market of around £290m per annum. By 2020 it is predicted that up to 35,000 people could be employed by the industry.

UK companies will have to adapt to the requirements of the Renewables market. For example, Offshore Wind Farms create demand for companies on project management, installation, operation and maintenance. There have been some early success stories such as ODE and Isleburn Mackay's winning work on Scroby Sands. Government wants to work in partnership with industry to help it achieve maximum benefit and recognises the potential for UK companies to successfully diversify into this market.

The South East, with its recently published strategy for Energy Efficiency and Renewable Energy, has gone a long way in developing its own approach to energy. This conference is continuing evidence of the region's commitment to renewables. The region has its fair share of local success. The excellent work of Thames Valley Energy, the achievements of Woking Borough council and the innovation promised by the redevelopment of Bracknell town centre are good examples. Recently Bracknell Forest Borough Council succeeded in its bid for a £1.8m from the Community Energy grant scheme for a new community-heating network serving 200 homes plus a library and other buildings.

And what of the role of Government?

Government

Our key mechanism for encouraging investment and developing renewables is the Renewables Obligation.

I am pleased to announce today the publication of the final terms of reference for the 2005 Review of the Obligation. With two years of the Obligation under our belt we are now well placed to consider what changes could enhance effectiveness up to the 2010 target and beyond and encourage investor confidence further.

One thing we don't need the Review to tell us is that, for the moment, the renewable sector that will provide the most growth will be wind – both onshore and offshore. Other potential sources, like wave and tidal, solar or biomass require a lot of investment and testing before we will see mass deployment and price reduction. They will not have the capacity before 2010. Without onshore and offshore wind – forget 2010 target of 10%.

But we are not relying solely on one technology – bioenergy for example provides a contribution through landfill gas, co-firing and dedicated plant - but it is clear that for the next few years wind is key.

Wind

So, how has the market responded so far to wind?

Since the introduction of the RO we have seen a step change in the amount of new capacity built and proposed. Last year, the wind sector saw about 100 MW of new capacity built, which should more than triple this year. We also saw the opening of the first large scale windfarm at North Hoyle and all the turbines at Scroby Sands off the Norfolk coast have started to generate electricity.

There is opposition to wind farms and a lot of that opposition is highly vocal. Some of it is based on misconceptions. I want the debate on wind farms to be based on fact. And this underlines the importance of getting the facts out there rather than relying on scare stories.

Medium Term

Over the medium term and beyond we want a diverse range of renewable energy technologies and expect biomass, solar, and marine energy to begin to make a significant impact. Government has announced more than half a billion pounds of support, since 2002, for research & development and demonstration projects for longer term renewables and low carbon energy generation technologies.

Long Term

It is also important to look to the long-term, to begin to coordinate a vision of where we ultimately want our energy policy to lead.

Science holds the answer to finding a solution to climate change and developing tangible, reliable technologies. This summer, the UK published its 10-year framework for investment in science and innovation, which aims to make the UK one

of the most innovative countries in the world. Our Science Budget has risen by over 10% per annum in recent years and will stand at over £3bn by 2007.

There are number of technologies with great potential to change the way we produce and utilise energy. Within the area of renewables, solar PV offers significant potential. Some predict that this could become cost-competitive with fossil fuel generation, even within the UK climate, in the next 20-30 years.

Communities/Small Scale Renewables

This Summer I announced that schools, houses and commercial buildings will benefit from £8.5million extra new funding to encourage more energy production from solar panels and small-scale renewables. This brings the Government's commitment to solar PV to £31 million since 2002. It also increases support for small-scale renewables in households and communities through the £12.5m million Clear Skies programme.

I want to see this funding used to encourage more of the excellent examples of solar projects. For example, Infinity Foods, in Brighton and The Environment Agency Thames Region HQ here in Reading who are among 17 organisations receiving £1.4m in the most recent round of Government funding for solar projects.

There is tremendous scope for the development of small scale renewables in this country. One of strengths of renewables is that individuals and their families can play a role in reducing greenhouse gas emissions - it is not something dealt with exclusively by big business.

We are currently looking in depth at the detail of a strategy on micro-generation, liaising closely with the industry and the trade association. We plan to issue a draft strategy for consultation next year - probably over the summer.

One issue is relaxing the rules in the Renewables Obligation so that small generators, such as PV installations on houses, can qualify for Renewables Obligation Certificates – and we will examine additional flexibility on that as part of our wider consultation. Although the financial benefit may be modest, I hope this has already sent a clear signal to small generators that they are very much part of the renewables family and an integral part of the effort to increase renewables in the UK.

Conclusion

I urge you to keep up the good work. The importance of local and regional activity in delivering the growth of renewables can only grow over time, as the number and type of installations grow.

Technologies like biomass offer increasing opportunities for local and regional economies. Our aim will be to strengthen and deepen our partnership with you as your role increases.