

Charles Hendry MP speech to BWEA28 Conference

This has been a year of great change.

A year ago, at your conference, I think there would have been a great sense of frustration that political leaders, the media, the wider country simply did not get it – we did not understand the seriousness of the environmental and energy challenges facing us. You were the prophets, perhaps not in the wilderness, but still not wholly welcomed in your home lands.

But now – it is no longer a question of whether we need to do something to combat climate change, but how are we going to do it, and what do we need to do to make that happen as quickly as possible.

A couple of years ago, if you raised the subject of energy in a social conversation, eyes glazed over; now everyone wants to talk about. For the public at large it is perhaps best described as enthusiasm with confusion – we know we need to do more, but we don't yet know how to do it. That is why there is such an interest and a thirst for greater understanding.

The scale of the challenge is truly immense. The International Energy Agency estimates that the world's primary energy demand will rise by 60% between 2002 and 2030 – two thirds of that increase coming from developing countries.

The IEA estimates that electricity demand will double and that fossil fuels will account for more than 80% of the energy mix in 2030, just as they do today.

But we also know that just because someone builds a gas-fuelled power station does not mean that there will necessarily be the gas available to power it. Indeed, we are facing a critical imbalance between demand and supply of gas, which is one of the main opportunities for renewables. In some scenarios, there will only be enough gas supply for one quarter of the gas-fuelled power stations being planned.

Last year the world's population grew by 74 million– a little over 1%. The use of oil grew by 1.3%, of gas by 3.3% and of coal by 6.3%. Between us we consumed 9 billion tonnes of oil equivalent. That is not sustainable.

As a consequence of man's practices, ten of the world's warmest years on record have occurred since 1990 and five of them since 1998. The temperature of the world's surface at 14.6 degrees Celsius has never been higher.

That is why Sir David King, the Government's Chief Scientific Adviser, is so right to say that doing nothing is not an option. And why politicians cannot simply put off difficult decisions for the next generation to deal with.

We published the interim findings of our Energy Review a week before the Government published theirs back in July.

The basis of our interim findings was to achieve our twin aims of reducing carbon emissions and securing our energy supplies.

We have no doubt that we are on the edge of the greatest technological revolution in energy. Three years ago, the White Paper focussed on how we could get more out of the existing sources of supply; now we are looking at how we can bring forward completely new sources of supply, which did not seem feasible even three years ago.

Under David Cameron, we are absolutely committed to renewables achieving their full potential and to a permanent change in energy policy, which will shift from energy sources which produce carbon to those which do not.

Our energy review called for a tougher, but long-term cap and trade system. To tackle climate change we need a framework for 50 years, not five or ten. We need an absolute reduction in carbon emissions, not just targets which some future Minister can come and change – eg when it became evident that we would miss the target of 10% from renewables by 2010, the government simply shifted the target to 20% by 2020. And those targets can sometimes have exactly the wrong consequences – it seems likely that the government has held back on the next round of off-short licences simply because they could not contribute to the original 2010 target.

So, sources of electricity generation which produce carbon would need to purchase carbon certificates to be allowed to do so. Every year, the number of certificates which would be allowed would be reduced, so each year the price of carbon would rise and the attractiveness of investment in renewable sources of energy becomes greater.

Critically, we would set out the number of carbon certificates for 40 years or more, so people could invest with certainty and confidence.

Of course, much is already happening which is encouraging. The drive to renewables is not longer being driven just by relatively small, but remarkably committed enthusiasts, who have driven forward this debate.

It is now being driven by some of the largest companies on the planet. As Renewable Energy Systems have said: wind power “is becoming a good example of a world class, sustainable, job-creating industry.”

And it is not just the companies one might expect to see. Tesco's is investing £100m in environmental technologies in a bid to halve the amount of energy it uses by 2010, compared to 2000. Their new store in Wick will have the electricity provided by wind, its bakery fired by solar power and the whole building made from recycled materials.

So even if government is not yet giving us joined up thinking on energy and the environment, business, under pressure from its customers, is starting to do so.

Globally, wind has made huge progress. Wind power capacity increased by 24% to 60 GW last year, two thirds of which is located in Europe. But as you know better than me, that is just the start of what is achievable.

The Global Wind Energy Council forecasts that installed capacity for wind power will more than double to 135 GW by 2010 and up to 1,000 GW by 2020.

But for wind, on and off shore, and other forms of renewables, to reach their potential, government has to be brave and to show a lead.

That means recognising that meeting Britain's future energy needs requires a spirit of shared responsibility.

The role for government is to set a framework which leads to emissions reductions and energy security, and provides a clear and stable long-term climate for investment.

And the role for industry is to develop the best and most affordable technologies within the framework set by government.

Government should not pick winners, but create a level playing field, so alternative sources of energy supply can compete on the basis of how they contribute, affordably, to the dual objectives of carbon reduction and energy security.

That creates enormous opportunities for wind energy, but to be fair, we also recognise that the current system of ROCs needs to be reformed. At present, its benefits have gone almost exclusively to on-shore wind and methane, whereas a fairer system would give support and encouragement as well, to the full range of sources of renewable power, which are just beginning to become viable.

There has never been a more exciting time in terms of new, potential sources of energy and government must give each of those new technologies the chance to prove themselves.

We need a mindset that every aspect of renewables has a role to play. If we are to reduce carbon emissions by 60% by 2050, then we need more wind, but we also need CCS, we need to tackle transport fuels, we must have more CHP and a shift towards decentralised energy and microgeneration, we will have to have much greater emphasis on energy efficiency and yes, perhaps, more nuclear. And on top of that, a whole range of technologies that no one has yet thought of. Take any of those elements out and a challenging target becomes more difficult, if not virtually unachievable.

But if nuclear is to have a larger role to play, then it needs to be on the basis of full cost accounting
With no hidden subsidies
And with the full costs of decommissioning and waste disposal taken into account

And whatever happens, it is time for government to stop putting off decisions on how the waste should be stored for the longer-term. It is frankly embarrassing to see how much further Sweden and Finland have moved on this than Britain and how open they have been with their people about the plans.

For the future vitality of the renewables sector, we must also secure a level playing field in any future phases of the EU Emissions Trading Scheme.

This year, after much argument and division within the Government, they decided on a carbon limit that was strict. We welcomed the fact that they were taking the threat of climate change seriously. But we remain hugely concerned that other countries in Europe are handing their businesses more permits than they emitted carbon last year.

In any future phase of the ETS we will press for commitment on all sides to a level playing field.

In addition to green energy, the other key goal of our energy review was securing our energy supplies. There can be no more important energy objective for the government than ensuring the lights stay on.

To me energy security requires three things.

First we must work towards having more home grown energy. This means looking to the long term and developing renewable electricity. This both makes us more secure, and it helps us achieve our green goals.

Second we must be concerned about the growing energy gap. Approximately 30 per cent of the UK's existing capacity is scheduled to retire over the next twenty years; including all our Magnox and AGR nuclear power stations except for Sizewell B. That is why we have called for capacity to be a factor in the formula for determining the wholesale price of electricity. This will encourage new investment in new power generation plant without the need for the Government to 'pick winners'.

Finally, we need to include energy security in our foreign policy. We are rightly concerned that, over the next 20 years we are likely to become more, and not less, dependent on imported fossil fuels. And can we really be happy that we should be handing over billions of pounds a year to some of the world's most unstable nations?

But the role of government is not just to help create new opportunities; it also has to remove the obstacles that stand in the way of a vibrant renewables sector.

We need to change the regulation of the energy market, which may mean reform of OFGEM and making it a primary duty for it to encourage renewable sources of energy.

We have to sort out the issues of national grid connectivity, as it cannot make sense for them to be obliged to connect facilities which are still going to be stuck in the planning system for years to come, ahead of those which have already been approved. Some projects are being given connection dates 10-12 years away.

And, of course, we have to sort out planning.

Planning is at the heart of the problems facing energy. Not only is it holding up on-shore wind farms across the country, but it is stopping off-shore wind being connected to the national grid; it is stopping new gas storage facilities being built; and it would drag out the construction of a new nuclear power station for years.

We do not have the luxury of time on our side.

I am a passionate believer in local democracy and local decision making, but we have to recognise there is a balance here that needs to be struck between the national interest and the local interest; which is why we have said we will work with the government to bring about the necessary changes (although I must emphasise that my remit only relates to England and not to the whole United Kingdom).

In the last two weeks, I have visited an off-shore wind farm in Ireland and seen the extraordinary development of on-shore wind in Galicia (2600 turbines).

There can be plenty of debate about their visual impact on the environment, but not I think about how much noise they make or the potential contribution they can make to secure, green energy.

This is a truly exciting time in energy. Those here have been at the forefront of a struggle until now; but the outlook has now changed forever and you have literally, the wind in your sails.

We have the chance to make British research and British companies world leaders in renewables; we can produce world class engineering graduates to encourage others to invest here as well.

We will work with you, and all the other renewable sectors, to create that level playing field and to tackle the obstacles that stand in the way of a green energy future.

And I make one more commitment too. We know from you that you need consistency and predictability over the long-term. You are being asked to make investment decisions for 20 years and more.

I hope that before long there will be a Conservative government, able to put in place the policies I have outlined, but I promise you that this issue will not be a political football and that we will work with the government to achieve as much consensus and common ground as possible.

Decisions need to be made now. We do not have time on our side. And we would not be forgiven if we did not work constructively with other Parties to that end.