



**Friends of
the Earth**

Letter to the Liberal Democrats, Labour and the Conservatives on decentralised energy.

Sent 8 April 2010 to the Energy and Climate spokespeople.

Dear Simon Hughes, Ed Miliband, Greg Clark,

As you will be aware Friends of the Earth, with the Renewable Energy Association, coordinated the coalition of organisations who first called for the inclusion of feed-in tariff legislation in the Energy Bill in 2007. Three years later we were very pleased to finally see the legislation we campaigned for come into force on 1 April.

We believe the generation of small-scale renewable energy can make a substantial contribution to the UK carbon targets and the creation of a clean economy. But, while we welcome the UK FIT's introduction we are deeply disappointed by the lack of ambition of the current scheme, which aims to generate just 2% of the UK's electricity from small-scale renewable sources by 2020.

Local, decentralised renewable electricity generation has advantages beyond cutting carbon emissions. Businesses generating their own clean electricity will reduce their energy bills, increase their competitiveness and reduce their vulnerability to future fossil energy price rises. Communities can gain an income and a stake in the creation of a low-carbon economy, and households, social and private landlords and local authorities can cut energy bills and tackle fuel poverty. It will also generate many much-needed jobs.

We have shown how an ambitious feed-in tariff could treble the amount of renewable electricity generation by 2020 compared with the proposed scheme. As part of the Sustainable Energy Partnership, Friends of the Earth has called on parties to commit to seeing at least five percent of the UK's electricity generated from small-scale (sub 5MW) sustainable renewable sources by 2020.

I would like to invite you to set out the measures you would take, if elected, in Government to deliver, improve or reform the feed-in tariff, to ensure the scheme is taken up by a wide range of households, businesses and communities - especially those in low-income or deprived areas, and to promote small scale renewable energy more generally. Your response will be made public and circulated to the more than 40 organisations who supported the introduction of an ambitious UK feed-in tariff and to Friends of the Earth supporters and local groups. I have listed below the organisations that played a part in the feed-in tariff campaign.

Please could you reply by 22nd April at the latest to allow time for groups to circulate your reply to their members and supporters before Polling Day. In anticipation of your response, thank you for finding time to address this issue in what must be an extraordinarily demanding period.

Yours sincerely

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Organisations who supported the campaign for an ambitious UK feed-in tariff:

WWF
Renewable Energy Association
RSPB
Federation of Master Builders
TUC
Institution of Mechanical Engineers
Chartered Institute of Housing
Country Land and Business Association (CLA)
UK Green Building Council
UK PV Manufacturers Association
River Energy Networks
Greenpeace
Compass
British Retail Consortium
Energy Saving Trust
Herefordshire Hydro Group
Energywatch/Consumer Focus
The Co-operative Group
The Eden Project
Institution of Civil Engineers
National Energy Action
National Farmers Union (NFU)
Home Builders Federation
Unison
Public and Commercial Services union (PCS)
Royal Institute of British Architects (RIBA)
Scientists for Global Responsibility
Places for People
New Economics Foundation
National Home Improvement Council
The Premises Recording Studio
Neal's Yard Remedies
World Future Council
National Union of Teachers (NUT)
Cooperatives UK
Mendip Power Group
National Housing Federation
National Association of Roofing Contractors
Solarcentury
Sharp
Schott
Worcester Bosch Group
Micropower Council
Carmarthenshire Energy Agency
Solar Trade Association
Ground Source Heat Pump Association

Reply from the Conservatives Energy and Climate Spokesperson Greg Clarke:

Dear Dave,

Thank you for your letter regarding the Conservative Party's commitment to small-scale and decentralised renewable energy.

Under David Cameron's leadership, Conservatives have consistently championed small-scale renewables, making the case for decentralised energy in three major policy publications:

Power to the people: The decentralised energy revolution (2007)
The low carbon economy: Security, stability and green growth (2009)
Rebuilding security: Conservative energy policy for an uncertain world (2010)

Together these publications demonstrate – and detail – our commitment to these exciting, potentially world-changing technologies as an important part of energy and climate change policy.

Looking ahead to the future our ambition for small-scale renewables is one of growing, diverse, competitive and job-creating industry that is a major force in the energy sector and a means of empowerment for energy consumers. A future in which decentralised energy remained dependent on centralised government target-setting wouldn't just be a bitter irony, but would condemn the industry to permanent niche status.

Feed in tariffs and the Renewable Heat Incentive

Conservative leadership and cooperation with other parties was instrumental in gaining government acceptance for FiTs and the RHI as part of the 2008 Energy Act.

A Conservative Government would take the FiT scheme forward, together with the RHI which is still in development.

There is one flaw with the FiT system which we will put right straightaway – and that is the unfair and counterproductive exclusion of projects installed before the scheme's starting date. Within fair and reasonable conditions, we will allow capacity that was installed without public subsidy before the start of the feed-in tariff scheme to qualify for the tariffs. For those projects that were installed with public grants we will give owners the option of repaying the original grant in return for inclusion in the FiT scheme.

An infrastructure strategy for decentralised energy

Britain's poor performance to date on large scale renewables provides another important lesson for policy on small scale renewables – which is that targets and financial incentives are not enough if vital enabling infrastructure is missing:

For instance, microgeneration and storage technologies will not achieve their full potential without the development of the smart grid. A Conservative Government will accelerate the deployment of smart meters and require the the renewal of electricity networks to integrate and enable decentralised generation and demand management.

Decentralised energy technologies that generate heat or both heat and power have long been ignored and discriminated against by UK energy policies. The absence of district heat networks has been a key constraint as well as an excuse for inaction on other policy fronts – as seen in the exclusion of biomass from the FiT scheme and delays to the Renewable Heat Incentive. A Conservative Government will promote the development of district heat networks – opening up major new markets for decentralised energy.

We will also act to promote the injection of biogas into natural gas distribution networks.

New infrastructure needs to go hand-in-hand with energy market reforms that underpin long-term, stable revenue streams for investment in both infrastructure and generating capacity. For instance, our proposals to create direct incentives for the provision of sufficient levels of capacity in the electricity market will open to the widest possible range of technology options including decentralised generation, storage systems and energy efficiency measures – and not just large-scale, centralised power stations.

Alignment with energy efficiency policy

Energy efficiency is the most cost-effective way of tackling climate change, reducing Britain's dependence of fossil fuel imports and fighting fuel poverty. Though not sufficient on its own, it is key to the affordability of other low carbon energy measures. It is particularly important for small scale renewables because it provides the essential context within which investment decisions on decentralised energy need to be made at the level of the household, the workplace and the community.

Our revolutionary Green Deal policy will make energy efficiency improvements available to millions of homes at no upfront cost to householders. It is, of course, vital that public resources are not used to promote other low carbon options when energy efficiency improvements provide better value. However, where decentralised energy technologies do demonstrate long-term cost-saving potential, we will work with stakeholders to include these within an extended Green Deal. We will pay particular attention to the contribution that can be made by decentralised energy technologies within large-scale Green Deal programmes for fuel-poor households. For instance, whole-street or whole-estate projects could provide an ideal opportunity to incorporate community-scale generation of heat and power or the bulk purchase of decentralised energy systems.

In order to maximise the potential for community renewables – which may well prove to be the most promising market for decentralised energy – we will raise the capacity limit for projects qualifying for the existing FiT scheme from 5 megawatts to 10 megawatts.

Conclusion

Small-scale renewables need large-scale reform to energy policy. Our green paper – *Rebuilding Security* – shows how we propose to achieve this in a joined-up way for all low carbon energy technologies. We very much hope that all those with a stake in decentralised energy participate in the consultation process and play an active part in reform of British energy policy.

Yours sincerely,

Greg

Greg Clark Shadow Secretary of State for Energy and Climate Change

Reply from Ed Miliband Secretary of State for Energy and Climate Change

Dear Dave

Thank you for your letter about Labour's commitment to small-scale and decentralised energy. As you know it was the Labour Government which introduced the feed-in tariffs which are set to revolutionise the small-scale and decentralised generation of renewable electricity in the UK. And our renewable heat incentive from next year will I believe do the same for heat. We believe strongly in the benefits of small-scale energy generation to householders and to communities, and for the creation of jobs. But we all also need to be conscious that the costs are borne by all consumers, so there is a balance to be struck between benefits and costs in setting the value of the incentives. We believe we have struck this balance in the right place. The percentage of total electricity and heat which will be derived from these incentives will depend on market responses to them. If, as many predict, the costs fall, then the impact may exceed the conservative estimates which we have set out. But as I am sure you know, under our plans we are expecting around 780,000 households to generate their own electricity by 2020, which by any standards will represent a transformation in energy use in Britain. This is of course just one aspect of the low carbon revolution on which this country has now embarked under our Government and which is set out at the heart of Labour's manifesto. Through the targets and policies we have set for energy efficiency, renewables, new nuclear, carbon capture and storage, a smart grid and electric vehicles, we are now on the way to creating a low carbon economy which can not only reduce our emissions, but provide energy security and create hundreds of thousands of new green jobs. All those involved in your campaign should feel proud of the role they have played in making this possible.

With good wishes
Ed Miliband

Reply from Simon Hughes, Shadow Secretary of State for Energy and Climate Change for the Liberal Democrats:

Dear Dave,

Liberal Democrats have been long time supporters of a feed-in tariff. We were pleased that our efforts in the last parliament helped defeat the Labour government and get feed-in tariffs into law.

Having given the government this great opportunity, we were disappointed to see them squander it in the way that they did. All the research showed that introducing a stronger feed-in tariff would have encouraged many more people to produce their own energy and at little cost to the public. However, after being lobbied by the large corporate energy producers the government watered down their proposals and produced a scheme which by their own admission will produce less than 2% of our energy. A better scheme would have produced up to 6%.

But apart from the many benefits of microgeneration as a contributor to our energy supply, there are other benefits also. One of the core Liberal Democrat beliefs is that power and wealth should be spread as widely as possible. These same principles apply to the energy generation sector as much as anywhere else. Microgeneration provides a great opportunity for our country to move away from a highly centralised and highly planned energy sector to a real market-based economy with the wide participations of citizens. Furthermore, when people produce their own energy they will be much more conscious of the energy that they use, and will be personally contributing to the solution to the climate crisis. In the end it will only be possible to protect our environment if people take individual action and if the government creates the conditions that allow them to do this.

This is why Liberal Democrats in government will make much greater efforts to encourage microgeneration in the UK. We will increase the feed-in tariff to provide a 10% return on investment. We have also set out an eco-cashback scheme, for the first year of government, that will allow people to apply for £400 if they opt for microgeneration. Together with the feed-in tariff, this is designed to give a little extra help when people decide to produce their own energy.

We also want to see a lot more support for community generation schemes. Community schemes have a great potential for people, particularly those who are less well off, to combine resources and become involved in microgeneration. On the whole they also tend to be bigger and therefore can make a much greater contribution to our energy production.

Liberal Democrats also believe that government should take a lead. Last year I wrote to all of the councils led by Liberal Democrats to ask them about what they were doing to adopt renewable technology. I was pleasantly surprised by some of the responses, such as Camden council who are using biogas from anaerobic digestion to power their vehicle fleet, or Cardiff who are looking to use council owned land to erect wind turbines. We believe that central government should also study the opportunities for renewable energy generation, such as installing solar panels on the roofs of government and public buildings. In the next parliament, if many more Liberal Democrat MPs are elected, the small steps that this government has reluctantly taken to encourage the take up of microgeneration could turn into a great leap forward.