

## **WP3 “Policy tools and aids at local level” – REOC, UK**

D03.A14 Deliverable D3 – ANNEX 1.4  
Reports on Policy Tools and Aids at local level (PTA).

### *Objective*

The actual situation on policy tools and aids at local level will be examined answering to the criteria previously developed by the partners (format WP3). Generally only those policies, tools and financial aids shall be considered that are related to the proposed case study of each partner.

### *Role and relevance for project*

To get a clear view of the specific measures and financial tools available at local level.

### *Role and relevance for targeted readers*

To get a clear view of the specific measures and financial tools available at local level.

### *Target groups*

Energy Agencies, Development Agencies, Administrative bodies, SME's.

## **List of abbreviations**

RE	Renewable Energy Sources
ROC	Renewable Obligation Certificate
PHV	Photovoltaic
CHP	Combined Heat and Power
CCL	Climate Change Levy
RSS	Regional Spatial Strategy
REgen	Regional Renewable Energy Strategy

## Format for WP 3 „Policy tools and aids at local level“ Cornwall response

### Basic conditions for sustainable energy investments at national level

*Please describe the most substantial tools (legislative tools, administrative tools like Operational Programme, National Development Plan, Climate Protection Plan as well as private and private-public tools like voluntary agreements) and financial aids which exert influence on sustainable energy investments regarding the local project (max. 6 measures – min. top two). Please use the given structure.*

#### 1. Renewables Obligation

- The UK government has enacted legislation to oblige electricity suppliers to procure a specified percentage of their electricity supply from qualifying renewable energy sources. Where the qualifying percentage is not met each year, the electricity supplier has to pay a fine of 5 euro/kWh. The fines are then distributed amongst the suppliers which have met their targets. This is managed by the Non Fossil Fuel Purchasing Agency and overseen by the Office of Gas and Electricity Markets, which reports to government
- **Goals of the measure.** Aim is 10% of electricity supply from RE by 2010, 15% by 2015 and still to put into legislation 20% by 2020, with the Obligation running until 15 years after the present end date. There are intermediate specified targets for each year to 2015 at present and a government pledge to maintain the Obligation. Each electricity supplier can meet its Obligation by generating from renewable sources or by purchasing renewable electricity in the form of Renewable Obligation Certificates (each representing 1 MWh)
- **Kind of influence and effect in view to sustainable energy investments (e.g. reference to evaluations).**

The ability to trade ROCs has had a profound influence on the renewable electricity market in the UK, with many more companies entering the market and now individual manufacturing industry showing interest in investing in their own renewable electricity plant because of the trading potential of ROCs. The government pledge to keep the Obligation in place for at least 15 years enables projects such as wind farms and individual wind turbines to be financed through project finance, which requires long term sales contracts.

#### References:

- **The UK Renewables Obligation** Dr. Peter Connor  
Centre for Management under Regulation, Warwick Business School, Warwick University, Coventry, CV4 7AL, United Kingdom 2003
- **WHO OWNS THE CARBON? Interactions between the EU Emissions Trading Scheme and the UK Renewables Obligation and Energy Efficiency Commitment** : Sorrell S.: [Energy & Environment](#), Volume 14, Number 5, 1 September 2003, pp. 677-703(27)
- **The Renewables Obligation: Can it Deliver?** Dr Adrian Smith and Dr Jim Watson SPRU, Sussex University, Tyndall Briefing Note No. 4 April 2002

- *Please characterize the effects regarding energy, economy and labour market.*

The ROC market has rapidly increased investment in the cheaper renewable electricity technologies such as wind energy, which is now a multimillion pound industry with

some 1,800 MW installed saving around 4 million tpa CO<sub>2</sub>, and some £400 million worth of projects under construction now.

There are around 1,100 full time equivalent jobs in the SW in renewable energy according to a Nov 2005 survey by Regen SW, with a very high proportion being skilled or graduate workers, suggesting renewable energy has a beneficial impact on skill levels

Reference

- : Regen SW The Economic Contribution of the Renewable Energy Sector to the South West Final Report November 2005 DTZ Pieda Consulting, Bristol [www.regensw.co.uk](http://www.regensw.co.uk)

- **Direct or indirect linkages with Structural Funds**

No direct linkages to Structural Funds as this mechanism providing as it does a subsidy to renewable electricity ensures that it is unlikely that grants can be obtained for this type of ROC eligible project unless it has other benefits for the locality

- **Weak points of the measure**

Overly complicated for waste to energy plant, leading to confusion for potential investors, as a single price is paid, the cheapest forms of renewable electricity are the ones which are mainly supported, leaving the newer more expensive renewable energy forms behind in investment eg wave and PHV.

## 2. Climate Change Levy

This is a Levy on all fossil fuel sources of energy supply amounting to 0.43 p/kWh or 0.62 euro/kWh for electricity and 0.15p/kWh gas; 0.15p/kWh solid fuels; 0.15p/kWh LPG), paid by all electricity consumers except those in industries which have made an industry-wide strong commitment to increasing energy efficiency over a specified number of years, usually three when an 80% reduction in the Levy is available. Levy exemption is available for renewable electricity from eligible sources and from “Good Quality” CHP derived electricity,, providing an incentive to move electricity supplies towards these sources.

Levy revenues are recycled through a 0.3 percentage point reduction in employers National Insurance Contributions and a package of support for energy efficiency

- **Goals of the measure** The government aims to reduce carbon emissions by at least 5 million tonnes a year by 2010.;
- independent research shows that the average firm could save around 15-20 per cent of energy costs and benefit the environment by improving their energy efficiency.
- The Government is investing £100 million over three years in the **Carbon Trust** to provide free energy efficiency advice to businesses and promote low carbon technologies. £50 million of climate change levy revenues over three years will also be invested in developing renewable technologies;
- firms can benefit from 100 per cent capital allowances on a range of energy saving technologies. [www.eca.gov.uk](http://www.eca.gov.uk).
- **Kind of influence and effect in view to sustainable energy investments (e.g. reference to evaluations)**

Notes below suggest that the announcement of the CCL lead to some permanent reductions in energy demand in some sectors of industry, notably those where no major lobbying against the Levy occurred. Some 42 energy intensive sectors such as bakeries, ceramics, steel, animal feeds, metal packaging etc have agreed Climate

Change Levy Agreements and agree to reduce energy demand whilst achieving the 80% reduction in energy demand.

The key results of the second target period assessment in 2004 show:

- 14.4m tpa of CO<sub>2</sub> emissions were saved in total against a target of 5.5 m tpaCO<sub>2</sub>
- 21 out of 42 sectors met their targets outright
- There was continued improvement across all sectors.

This suggests the CCL with the targeted reductions through negotiated agreements is successful in reducing industrial energy demand, within economic parameters.

### References

- UK's climate change levy: cost effectiveness, competitiveness and environmental impacts Varma A.<sup>1</sup> [Energy Policy](#), Volume 31, Number 1, January 2003, pp. 51-61(11)
- Electronic Working Paper Series Paper No. 75 Policy transfer in the development of UK climate policy for business Dr Adrian Smith January 2002 SPRU University of Sussex [A.G.Smith@sussex.ac.uk](mailto:A.G.Smith@sussex.ac.uk) [www.sussex.ac.uk/spru/](http://www.sussex.ac.uk/spru/)
- Hysteresis and energy demand: the Announcement Effects and the effects of the UK Climate Change Levy Paolo Agnolucci, Terry Barker and Paul Ekins June 2004 Tyndall Centre for Climate Change Research Working Paper 51
- CLIMATE CHANGE AGREEMENTS – RESULTS OF THE SECOND TARGET PERIOD ASSESSMENT Future Energy Solutions AEA Technology July 2005

- **Direct or indirect linkages with Structural Funds**

None

- **Weak points of the measure, inter-reactions**

The main industry associations eg the Confederation of British Industry lobbied hard against the Levy and succeeded in delaying implementation of energy efficiency measures in its member industries

Some of the Climate Change Levy Agreements have not been adhered to, with little censure from government

Works well to reinforce the ROCs system

### Basic conditions for sustainable energy investments at regional level

*Please describe the most substantial tools (legislative tools, administrative tools like Operational Programme, Regional Development Plan, Climate Protection Plan as well as private and private-public tools like voluntary agreements) and financial aids which exert influence on sustainable energy investments regarding the local project (as complete an enumerating as possible). Please use the given structure.*

## 1. Regional Spatial Plan

- **Content of the measure, responsibilities and actors**

This provides for the approach to be taken throughout the SW of England and including Cornwall by all planning authorities, in their local planning policies for all new developments proposed in their area. It was produced by the SW Regional Assembly and has reached the Draft Stage, with public consultation until August 2006.

Strategy for test 2006 - 2026

**THE DRAFT REGIONAL SPATIAL STRATEGY**

- **Goals of the measure.** Please estimate if there are qualitative or quantitative goals and if the goals contribute to improve energy efficiency and/or the use of renewable energies. In addition, please divide these goals in short-, medium- and long-term.

The RSS aims towards sustainable development but notes “*There is a tension which the Draft RSS must help resolve, between further population and economic growth and the imperative to reduce resource consumption and, most importantly, the decoupling of growth and CO2 emissions. Consumption of natural resources or ‘ecological footprint’ has a global impact. Growing demands for built development, infrastructure, food, fresh water, natural materials and energy, seriously risk the erosion of environmental quality and the life systems on which we all depend. The South West’s ecological footprint is unsustainable as it stands. If everyone on the planet consumed such a quantity of natural resources and energy as an average South West resident, three planets would be needed to support life on Earth. Consequently, a shift is needed towards ‘one planet’, lower consumption, with lifestyles which are more resource efficient. This should include a move towards locally produced, replaceable natural resources, more efficient usage of energy, better waste re-use/recycling, and more efficient use of scarce natural resources such as minerals.*”

Targets are:

*Renewable Electricity Targets: 2010 and 2020 Local Development Documents will include positive policies to enable the achievement of the following targets: By 2010 a minimum target of 509 to 611 MWe installed generating capacity, from a range of onshore renewable electricity technologies in the following broad distribution:*

<i>Sub-region</i>	<i>Installed Electricity Generating Capacity (MWe)</i>
<i>Former Avon</i>	<i>35-52</i>
<i>Gloucestershire</i>	<i>40-50</i>
<i>Wiltshire</i>	<i>65-85</i>
<i>Somerset</i>	<i>61-81</i>
<i>Devon</i>	<i>151</i>
<i>Dorset</i>	<i>64-84</i>
<i>Cornwall</i>	<i>93-108</i>
<i>Total</i>	<i>509-611</i>

*By 2020 a minimum target of 850 MWe installed generating capacity from a range of onshore renewable electricity technologies. This onshore target, together with off-shore renewable electricity capacity, will help to provide at least 20% of the region’s electricity demand by 2020.*

The impact on Energy Efficiency will be through the development of the local awareness of the need for energy efficient buildings for all new developments, which is the aim of the RSS. One policy includes the aim of a minimum of 10% energy supply from RE sources for all large new developments in the region.

The RSS takes affect in 2008.

- **Kind of influence and effect in view to sustainable energy investments (e.g. reference to evaluations).** Please characterize the effects regarding energy, economy and labour market.

Over time this document will have a significant impact on investment in renewable energy and energy efficiency in Cornwall. However as it does not take effect until 2008, the work of SEIPLED will include aiming to move the local polices forward faster than the RSS requires.

Unclear as yet as to the implications for investment and employment

- **Direct or indirect linkages with Structural Funds**

Unclear as yet.

- **Weak points and obstacles of the described measure;** interactions between individual measures

Main weak point is that the process of implementing this policy document is very long and will not speed the introduction of the policies needed to implement sustainable energy quickly

Individual local municipalities can then still take some time to prepare their own local policies based on the Regional Policy.

## 2. Regional Renewable Energy Strategy for SW England

- **Content of the measure, responsibilities and actors**

SW REgen 2003: Sets out the Strategy for meeting the central government target of 15% of electricity supply from renewable energy by 2015.

The Strategy aims to maximise the social, environmental and economic benefits of renewable energy through the integration of renewable energy into mainstream policy and practice at all levels within the region.” The strategy then identifies three areas where a regional focus is required:

- Deploying renewable energy on the ground
- Developing skills and awareness
- Building the South West renewable energy industry

It incorporates a practical action plan for each of these areas including timescales, suggestions for target audiences and indicators for measuring success.

- **Goals of the measure**

Tackling climate change requires a three-pronged approach addressing energy efficiency, renewable energy and transport. This strategy focuses solely on renewable energy development, but there is a commitment to ensure that it complements any local, regional and national plans to reduce energy demand and to restructure transport systems. The regional strategy focuses primarily on renewable electricity, in line with national renewable energy policy. However, the potential for renewable energy fuels for both heat and transport in the South West is significant and this strategy begins to identify measures to take these opportunities forward.

- **Kind of influence and effect in view to sustainable energy investments (e.g. reference to evaluations).**

The Regional Economic Strategy suggests that the renewable energy sector could create 12,000 new jobs and generate an extra £260 million ( euro 377 million) for the region’s economy over a ten year period. The Strategy provides the background to activities in the region, and by providing a supportive framework for RE helps to stimulate RE investment indirectly in the region.

references

- **Employment Creation and Environmental Policy: a literature review** Chris Hewett and Julie Foley October 2000 A Report by Public Policy Research Associates Ltd. Commissioned by the Trade Union Sustainable Development Advisory Committee (TUSDAC)
- INFLUENCING THE SCALE AND PACE OF DEVELOPMENT IN THE SOUTH WEST TO ACHIEVE THE MOST SUSTAINABLE OUTCOME PHASE 2 REPORT Assessment of the Draft RES 2005 OCTOBER 2005 CHRIS ELTON CONSULTANCY
- Meeting the UK Renewables Target: The Role of the Regions: by Dr. Jim Watson et al SPRU, University of Sussex Research Paper for the 2003 BIEE Academic Conference: Government Intervention in Energy Markets St. John's College Oxford, 25-26 September 2003

- **Direct or indirect linkages with Structural Funds**

Unclear as yet.

- ***Weak points and obstacles of the described measure***; interactions between individual measures

A very slow process to implement this.

## Assessment of the local project regarding its contribution to sustainable energy investments

### Sustainable Energy in Cornish Industrial Buildings

- **Content of the project, responsibilities and actors**

The case study aims to implement renewable energy in industrial buildings in Cornwall through a series of three related activities

- **Goals of the project.** *Please estimate if there are qualitative or quantitative goals and if the goals contribute to improve energy efficiency and/or the use of renewable energies. In addition, please divide these goals in short-, medium- and long-term.*

The project aims to set up three elements:

- Planning policies requiring all new and refurbished industrial buildings to install at least 15% renewable energy supply in all six District Councils
- Training courses for architects, specifiers, builders. Developers and installers on the design, installation and maintenance of renewable energy equipment for industry
- A grant programme under the new Convergence Funds for assistance with the design and installation of renewable energy equipment in industrial buildings in Cornwall.
- As some new industrial 50 buildings are developed in Cornwall each year, the aim is to save some 16,000 MWh pa of mainly gas and electricity, saving around 5,200 tpa CO<sub>2</sub>.
- Short term aims are to deliver the SEIPLED targets of setting up the planning policies, the training courses and to apply for the grant programme
- medium term aim is to develop the grant programme
- long term aim is to ensure that the grant programme has a high take up and that a high level of renewable energy installations occur in industrial buildings in Cornwall.
- **Estimated kind of influence and effect in view to sustainable energy investments.** *Please characterize the effects regarding energy, economy and labour market.*

At present around 50 new industrial buildings are developed in Cornwall each year, most of them with grant assistance from the SW Regional Development Agency, which looks after the regional delivery of many central government programmes. The aim is to ensure that the local planning authorities implement a policy which requires all new and refurbished industrial buildings to have installed renewable energy installations to provide at least 15% of the energy demand of the building. This would therefore provide the opportunity for some 50 installations a year which would otherwise not happen.

Assuming an average investment per building of around £100,000 (145,000 euro), would give an annual local renewable energy spend of £5m or euro 7.3m. This kind of injection into the local renewable energy industry would have a major impact on employment and the growth prospects of the individual companies making up the

local renewable energy business cluster. This would provide an investment of over three times the estimated present level of business in the County, and hence would lead to at least a doubling of local employment in the renewable energy industry.

- ***Contribution of the local project to solve the weak points and obstacles described at regional level***

The local project will move the aim of local planning authorities developing renewable energy policies locally forward at a much faster pace than they otherwise would, contributing to the faster implementation of renewable energy in industry in the region. The development of training courses for installers addresses the SW regional shortage of skilled people and Cornwall may be able to export the skills or export the training courses themselves providing extra earnings for Cornwall.

- ***Assessment of the contribution of the local project regarding Structural Funds***

The project fits in well with the new Convergence Funding which is aiming to move Cornwall towards a sustainable future with renewable energy being one of only four main aims for the Fund.

- ***Linkages of the local project with the national and regional tools and financial aids specified above***

The project links very well with all the national and regional tools noted above as well as with other regional and national policies as it contributes to the meeting of national and regional targets for the installation of renewable energy in the region of Cornwall as required by the national and regional renewable energy policies and contributes to increasing sustainable development in the region as required by the SW Regional Spatial Strategy and the SW Regional Economic Strategy as well as the SW Sustainable Development aims noted in the SW Sustainable Development Website of the SW Regional Assembly.

The increased innovation and increased skill levels which will occur from the implementation of the project will help meet the criteria of local colleges and the university as well as the Innovation Strategy of the SWRDA, and the Strategy and Action objectives of the Cornwall Economic Forum.

Sources of information list

## 1. Renewables Obligation

Further references

- General description  
[www.dti.gov.uk/.../renewables/policy/renewables-obligation](http://www.dti.gov.uk/.../renewables/policy/renewables-obligation)
- Review underway early 2007  
[www.dti.gov.uk/consultations/page34162.html](http://www.dti.gov.uk/consultations/page34162.html)

## 2 Climate Change Levy

General information including how to make a Climate Change Agreement to reduce levy payments

[www.defra.gov.uk/environment/ccl](http://www.defra.gov.uk/environment/ccl)  
[www.cclevy.com](http://www.cclevy.com)

Full details on the Levy and how to pay to HM Customs and Excise

[http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?\\_nfpb=true&\\_pageLabel=pageExcise\\_ShowContent&id=HMCE\\_PROD\\_009791&propertyType=document](http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageExcise_ShowContent&id=HMCE_PROD_009791&propertyType=document)

## Regional Spatial Plan

Full details of the Strategy and its progress through consultation and Examination In Public now ongoing until 2008.

[www.southwest-ra.gov.uk/nqcontent.cfm?a\\_id=538](http://www.southwest-ra.gov.uk/nqcontent.cfm?a_id=538)

## Regional Renewable Energy Strategy for SW

[www.regensw.co.uk/sw/strategy.asp](http://www.regensw.co.uk/sw/strategy.asp)

