Assured Energy **Outlook**

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Calls grow for UK to adopt net zero emissions target

On 1 June a cross-party group of MPs called on the government to establish a legally-binding net zero emissions target in this Parliament, while the end of May saw think tank Bright Blue call for the UK to be the first G7 nation to adopt such a target.

The government said in April that it will advise independent advisors the Committee on Climate Change to consider a net zero target for 2050 in its next review.

The cross-party group is led by Conservative MP Simon Clarke who said the target would “spur innovation, building on existing British know-how to get us all the way to net zero, creating new industries and jobs across the UK in clean technologies like carbon capture and storage.”

The group also includes former Labour Leader Ed Miliband, Environmental Audit Committee Chair Mary Creagh, Green MP Caroline Lucas and Lib Dem Energy Spokesperson Baroness Featherstone.

The Bright Blue report too said there was a strong case for the UK adopting the target. It highlighted that in the decade since the Climate Change Act was introduced, advances in clean technologies mean that decarbonisation in some sectors of the economy has become cheaper and more practical. It also said that there is a strong scientific and political case, with climate scientists calling for greater urgency and the Paris agreement making more ambitious domestic climate goals “necessary and possible”.

The report concluded that UK businesses are well-positioned to be at the forefront of providing new zero-carbon products and services to the global marketplace but emphasised that any target must be must be “technically achievable” to ensure success.

Renewables auction rule change to cost energy consumers an extra £1.5bn

In a report on its investigation into the 2017 Contracts for Difference (CfD) auction, the National Audit Office (NAO) found that government changes to the scheme’s rules last year mean that the auction will cost energy users significantly more than the 2015 auction, relative to the capacity it secured.

Released on 16 May, the NAO investigation found that by introducing a “capacity cap”, small fuelled technology projects were able to raise the strike price of larger projects. This resulted in an extra cost to consumers of around £100mn/ year – or a total additional cost of approximately £1.5bn over the 15-year long contracts, the report said. The government has said that it will not apply the rule in the same form in future auctions.

Government confirms it is considering direct investment in Wylfa nuclear power station

The government is to consider direct investment in the proposed 2.9GW Wylfa nuclear power station, it was announced on 4 June.

It will begin negotiations with Hitachi – the owner of project developer Horizon Nuclear Power – on a deal going forward.

Media reports indicate that the government stake could be £5bn+ of the £16bn total cost. If so, it is expected to reduce the guaranteed price of power from the plant to around £75-£77/MWh, compared to £92.50/MWh for Hinkley Point C. The Wylfa plant is expected to generate enough power to meet around 6% of UK demand.

Utility costs a major cause of rising operating expenditure for small businesses

Research by the Federation of Small Businesses (FSB), published on 23 May, has found utility bills to be a leading cause of rising operating costs for small UK firms. More than a third (36%) of businesses surveyed cited energy and water bills as a main cause of rising operating costs in Q2 2018, up from 24% in Q2 2016.

Overall the FSB found a near-record high of 71% of small companies reporting a rise in operating costs during the quarter.

FSB National Chairman Mike Cherry said: "There's been a huge rise in the number of small firms saying that fuel and utility bills are key drivers of higher operating costs. This is money that should be spent on investment, recruitment and innovation."

Labour costs remain the biggest cause (46%) of rising costs for small firms, while rent is also a persistent concern (22%).

Trade associations detail how firms can gain from UK's low-carbon power transition

A joint report by energy trade associations the Association for Decentralised Energy (ADE) and RenewableUK has outlined opportunities for energy-intensive companies to reduce their energy costs as the UK transitions towards a lower-carbon energy system.

Released on 6 June, the report recommended that businesses increasingly be "adaptable and flexible" in the way they use energy. It highlighted that they could save money on bills and potentially receive payments for providing "grid balancing" services as the economy decarbonises. This can be achieved by businesses varying their level of electricity use to increase consumption at periods of high renewable generation output and then reducing consumption at times of peak demand.

ADE Director Dr Tim Rotheray said: "The industrial, commercial and public-sector energy sectors account for over half the UK power demand and it is their participation in the flexibility market which will be key in growing the market […] A more flexible power system creates a stable power grid, which can then accommodate more renewable energy to meet our decarbonisation targets at least cost."

Corporate giants make renewables commitments

Several major companies made new renewable energy commitments during the past month.

Arriva became the first major transport operator in the UK to switch to a 100% renewable electricity supply after it signed a three-year contract with supplier SSE. All of its UK stations, depots and offices will be powered through Renewable Electricity Guarantees of Origin (REGO) – certificates that match electricity consumed with electricity produced from renewables somewhere on the supply system. The company expects to save an estimated 27,000tCO_2e/ year as a result.

Similarly, telecoms company Vodafone has pledged to source 100% of its electricity from renewable sources by 2025. Around 13% of Vodafone's operations are currently powered by renewables, which is set to increase as the company signs Power Purchase Agreements (PPAs), buys renewable energy certificates and develops onsite renewable energy generation at its technology centres.

As a broader target, IKEA has said it aims to be a "climate positive" business by 2030. The company said it would work towards "reducing more greenhouse gas emissions than the IKEA value chain emits" and "reducing the climate footprint of IKEA products and operations in absolute terms", including the use of renewable energy.

In other news

- The UK will use new technologies and modern construction methods to "at least" halve the energy usage of all new buildings by 2030, Prime Minister Theresa May announced on 21 May.
- Companies in 75 countries actively sourced 465TWh of renewable energy in 2017 – almost enough to meet the electricity needs of France – according to a new International Renewable Energy Agency report.

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