Department of Energy & Climate Change

DECC REVIEW

POWER THE COUNTRY, PROTECT THE PLANET

UK Offshore Oil and Gas
The £200 billion roadmap for future growth

Hosting an extraordinary meeting of the Cabinet in Aberdeen on 24 February 2014, the Government welcomed the publication of Sir Ian Wood's review into maximising North Sea oil and gas reserves.

By accepting and fast-tracking all the main recommendations of Sir Ian Wood's ground-breaking review, the Government is advised that it can support the industry to recover **3 to 4 billion** more barrels of oil than would otherwise have been produced. This could provide up to a potential **£200 billion** boost to the UK economy.

Sir Ian Wood's review has concluded that the UK government, with its large consumer and tax base, can afford to support the industry and make it profitable to extract the increasingly hard-to-reach oil and gas in the North Sea taking us as close as possible to the highest estimates of recoverable oil reserves.

The government has already provided big tax incentives to support extraction as part of its long-term **action plan**.

- **£3 billion** for large and deep fields like those West of Shetland
- **£500 million** for large shallow-water gas fields
- **£20 billion** decommissioning relief

These incentives have already started to unlock billions of pounds of investment and will guarantee the value of North Sea oil and gas for decades into the future, providing a stable environment for the industry to plan and invest with confidence and secure thousands of jobs in Scotland and across the rest of the UK.

The Review announced:

- a joint commitment between government and the industry to ensure production licences are awarded on the basis of recovering the maximum amount of petroleum from UK waters as a whole
- greater collaboration between industry and government
- a new independent regulator to supervise licensing and ensure maximum collaboration between companies to explore, develop and produce oil and gas

Prime Minister David Cameron said: "I promise we will continue to use the UK's broad shoulders to invest in this vital industry so we can attract businesses, create jobs, develop new skills in our young people and ensure we can compete in the global race."

Secretary of State for Energy and Climate Change Ed Davey said: "Britain will still need large amounts of oil and gas, even as we cut our carbon emissions over the coming decades. So with recent large falls in North Sea production, I commissioned this report from Sir Ian Wood to see how we can reduce the oil and gas we would otherwise import by boosting UK offshore production."

Malcolm Webb, Chief Executive of Oil & Gas UK said: "The report is a game changer. We have the opportunity to secure a bright future for our industry and unlock at least a further £200 billion for the UK economy. Oil & Gas UK congratulates Ed Davey for having the insight to commission the review and looks forward to the swift implementation of its recommendations."

Factcheck

Since oil and gas was first discovered in the North Sea in the 1970s, **42 billion barrels** have been recovered. The oil and gas industry already employs **450,000 people** in the UK and should do so for years to come when Sir Ian Wood's recommendations are implemented.

UK leading the world on carbon capture and storage

First gas carbon storage project takes major step in Peterhead

As part of the announcement on the future of North Sea oil and gas through the Wood Review, Ed Davey announced funding to take the Peterhead Carbon Capture and Storage (CCS) project in Aberdeenshire into the front end engineering and design stage of development. The proposal represents the world's first full-chain CCS project on a gas fired power station.

What some of our followers have tweeted:

> **CBI climate change** @CBI_CC · Feb 24
> Great to see new @shell deal on carbon capture and storage. CCS has important role to play in our energy future ow.ly/tVVwd

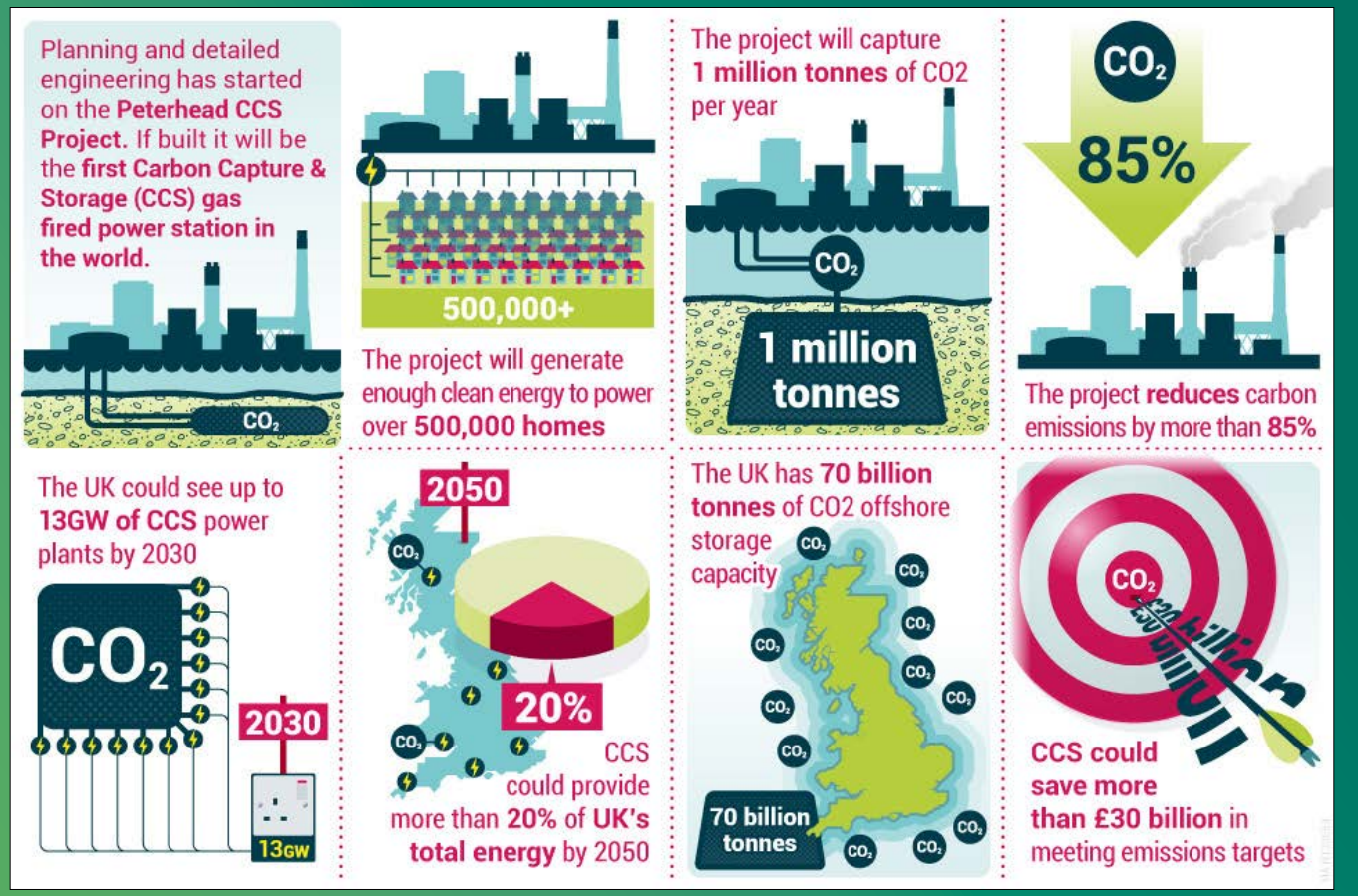
The Peterhead project will now share around £100 million in government funding with the White Rose coal carbon storage project in Yorkshire which was also awarded a engineering and design contract in December 2013.

Together these projects will:

- capture around **3 million tonnes of CO_2** per annum
- provide enough clean electricity to power over **1 million homes**
- support over **2,000 jobs** in Scotland and Yorkshire during construction

Working with partners such as the Energy Industries Council, the Government is now looking to facilitate a number of CCS Supply Chain Events to highlight the opportunities available from these projects. Michael Fallon will be hosting a supply chain event in London on 12 May 2014.

To view more information on either the Peterhead CCS Project or the White Rose CCS Project **click here**.



Deputy Prime Minister Nick Clegg and Ed Davey at Peterhead power station

Factcheck

Carbon Capture and Storage is **not** a new technology. Several smaller projects are already operational, though these projects in Yorkshire and Aberdeenshire will be the first commercial scale power projects in the UK; bringing down the costs and establishing frameworks to successfully deliver future CCS projects.

Offshore wind – maximising the economic benefit

Maximising the economic benefit from offshore wind is a key priority for Government. As well as providing major gains for our energy economy, offshore wind plays a vital role in driving green growth – **adding billions of pounds** to the UK economy and **supporting thousands of jobs**.

The Government has made great progress in delivering a UK electricity market framework that supports offshore wind electricity generation. The Electricity Market Reform package, announced in December 2013, is an excellent deal for the industry – demonstrating its determination to expand the sector and remain the leading market in the world.

The Offshore Wind Programme Board, a partnership between the Government and industry, aims to deliver cost reduction and enable growth of a competitive UK-based supply chain. Cost reduction is crucial if the offshore wind sector is to achieve full potential. Our long-term vision is for low-carbon generation to compete fairly on cost, without financial support and delivering the best deal for the consumer. Offshore wind will be in competition with other technologies.

To read more on the Offshore Wind Board's first annual report **click here**.

The Government has also published **a report** on the offshore wind supply chain in the UK demonstrating the UK's opportunities for future growth.

Energy Minister Michael Fallon said: "The UK is the world leader in offshore wind – with more deployed than any other country, and a framework in place to retain our global lead. The benefits that offshore wind can bring are clear. As costs fall it can enhance our long-term energy security, reduce our dependence on imports and help reduce our carbon emissions. And, crucially, offshore wind can play a vital role in driving growth – adding billions of pounds of value to the UK economy and supporting thousands of jobs."

Factcheck

The UK is the clear world leader in offshore wind:

- In the UK there is **3.6GW** of installed operating capacity already and compares well to Denmark which has 1.2GW and Germany which has 0.5GW
- There is a further **1.4GW** of capacity now under construction in the UK
- There are now over **1,000** offshore wind turbines installed in the UK

UK the most 'resilient' in the EU for clean energy investment

According to **recent analysis** on global clean energy investment conducted by Bloomberg New Energy Finance (NEF), "The UK was the most resilient of the big European markets, seeing a 13% rise in 2013 to $13.1bn from $11.6bn in 2012."

This analysis demonstrates the confidence that UK and overseas investors have in the UK energy system as a place for investment. This is demonstrated by the UK's capacity of renewable electricity increasing by 38% since mid-2012.

£8 million boost for energy storage innovation

Two British companies have been awarded over **£8 million** to spur on innovation in storing energy.

The contract has been awarded to a partnership of **Viridor Waste Management Ltd and Highview Power Storage**, as part of DECC's innovation competition to support energy storage technology research and development.

Viridor and Highview will use the funding to develop a technology to store air in a liquid format, which can then be used to supply electricity at times of high demand. The technology will be connected to the National Grid, and will be used to test balancing supply and demand using stored energy.

Energy storage systems offer the opportunity to store surplus electricity for use at times of high demand, playing an important role in supporting UK growth in low carbon, renewable energy sources and in maintaining security of electricity supply in the UK.

Energy and Climate Change Minister Greg Barker said: "Storing energy will become increasingly important in the move towards a low carbon economy, and has the potential to save the energy system over **£4 billion by 2050**."

Gareth Brett, CEO of Highview Power Storage, said: "Government has given a British company a great opportunity to begin commercialising a home grown, innovative technology…The collaboration with Viridor will enable Highview to showcase the technology at larger scale, harvesting waste heat from landfill gas engines and demonstrating our readiness for deployment elsewhere."

Ian McAulay, Viridor Chief Executive said: "We are pleased to have secured funding for this important project. Innovation has been at the heart of successful businesses in Britain and it is great news that the government recognises and supports its development."

Factcheck

At present, almost all electricity is generated when required and networks are designed to accommodate highest demands, even if they are of very short duration.

Manufacturers take the helm on energy efficiency

A third of senior business leaders have taken control of energy efficiency decisions, according to research by EEF, the manufacturers' organisation. One in five manufacturers now seek advice from their energy supplier on making energy savings and larger companies are increasingly turning to specialist energy managers.

Gareth Stace, Head of Climate & Environment Policy at EEF, said, "The prize of getting it right for companies is significant. This is not simply because of the direct benefit of reducing costs and improving our competitiveness, but because manufacturers will develop the technologies and services which will help other parts of the economy improve their efficiency."

The survey provided key findings:

- 33% of those at CEO level have taken control of energy efficiency decisions
- Once turnover exceeds £20 million, manufacturers start turning to specialist energy buyers or managers
- 20% of manufacturers are looking to suppliers for advice on energy savings and efficiency
- 96% of companies surveyed quoted reduction in energy bills as a reason for implementing energy management
- Almost 66% of manufacturing companies cite reducing their carbon footprint as the reason for implementing or considering energy efficiency measures

For more information on the survey **click here**.

Energy companies to refund direct debits to British households

Four of the big six energy companies will now automatically refund direct debits to customers who are in credit. While EON were already doing this, negotiations chaired by Greg Barker have resulted in British Gas, EDF, SSE and First Utility **agreeing to pay consumers' money back**.

Energy companies will provide customers with an automatic refund if they have a credit balance over a minimum threshold (varying between 1p and £10) at annual review point. Alternatively, the money can be rolled over to take off the next bill if the customer prefers.

The automatic refund of direct debit provides customers with more control over their energy bills. At the mid-year point on an annual direct debit arrangement, the supplier will:

- Ask the customer for an actual meter reading if necessary; and
- Then review the direct debit to make it as accurate for the remainder of the year. This will avoid a large build-up of credit or debit on customer accounts.

Energy companies will automatically refund customers with a credit balance over the following, at the annual review point:

British Gas	£5.00
EDF	£5.00
EON	£5.00
First Utility	£10.00
SSE	£5.00

To take even more control over household energy bills, see which energy efficiency schemes or assistance you could benefit from by click on the energy grants calculator, **available here**.

Greg Barker said, "This is important and welcome news for the 55% of energy customers who choose to pay by direct debit. The Coalition is committed to helping hardworking people reduce the cost of energy bills and this will ensure that customers are rightly returned the cash that is theirs without having to ask."

Helping people to use a smart meter

Between 2015 and 2020 the Government will require energy companies to install smart meters for their customers, and is ensuring that companies do this in a way that is in the interests of consumers. **Some suppliers are installing smart meters now**.

A **new guide** is now available for local authorities and consumer advice groups to understand their role in helping local people understand how they can benefit from a smart meter. If you would like to receive updates please contact us at **smartmetering@decc.gsi.gov.uk**

"30 million homes and small businesses in Great Britain will have a smart meter by 2020"

Government cashback for making home efficiency improvements

The Government's **Green Deal** cashback scheme is now even better.

- Up to **£4,000** is now available for solid wall insulation,
- Up to **£1,000** for 'room in roof' insulation,
- Up to **£650** for households installing double glazing

The Green Deal helps households drive down their fuel bills and reduce how much energy they use by carrying out energy efficiency improvements to their home.

The cashback scheme directly helps people to install energy efficiency measures by giving them money back for the improvements they make to their home.

How does Green Deal cashback work?

The householder:

- Has a **Green Deal assessment** carried out on the property
- Receives and agrees quotes from a Green Deal Provider who's registered with the cashback scheme
- Applies for cashback voucher **online** or by phone. The Provider may be able to do this – the householder should ask the Provider
- Receives a voucher confirming the cashback amount
- Completes works within a specified period

For more information on how to get Green Deal cashback, **click here**.

Taking a Green Deal assessment – a view from the Guardian

Adam Vaughan (editor of environmentguardian.co.uk) recently received a Green Deal assessment. To find out about Adam's experiences **click here**.

To find our more information and see how you can get a Green Deal assessment **click here.**

Adrian's Green Deal: cashback for a cosier home

Adrian Woolley found his four bedroom house was becoming difficult to heat. A **Green Deal assessment** showed Adrian the different measures he could install and the type of finance options available. Adrian found the assessment and installation process **simple and efficient** and noticed a big improvement in the warmth of his home straight away.

Adrian said: "We really needed a new heating system as our boiler was extremely old and it took ages for us to get hot water."

"Our Green Deal assessment was very straightforward and provided us with information on improvements we hadn't even thought of. We took out a Green Deal loan and **we now aren't having to pay back any more than what we had been for our monthly energy bills**. We also filled in a simple form which meant we received **£620 cashback**, which was a great addition."

"The whole house has improved dramatically since the work has been completed. We've noticed a huge improvement in the warmth of our home."

UK not acting alone on climate change

A recent independent study by **Globe International** shows that that the UK is not alone in putting policies in place to mitigate climate change. The report looks at climate legislation across **66 countries**, together responsible for around **88% of global manmade greenhouse gas emissions (GHGs)**.

The study shows the following:

- **61** out of **66** countries have passed laws to promote domestic clean energy
- **54** countries have legislated to increase energy efficiency
- **52** of the **66** countries have developed legislation or policies to improve their resilience to the impacts of climate change

According to the independent study, the **UK** is **making good progress** on mitigating GHG emissions. The UK's Electricity Market Reform, which aims to provide a low-carbon energy mix to meet renewable energy and climate targets is **on track for delivery in 2014**.

International Climate Fund

Delivering results

As part of the UK Government's **£3.7billion** International Climate Fund, clear results are being seen across various developing countries which are helping the world's poorest adapt to climate change and incentivising cleaner, greener development.

In one example, the UK, in partnership with the European Commission, is supporting the **Nepal Climate Change Support Programme**. This programme responds to Nepal's climate vulnerability, focusing on building community resilience to climate change and demonstrating that low carbon, climate resilient growth at scale is feasible.

The UK Governement has committed **£4.5 million** for implementing climate adaptation activities in Nepal, in line with an agreed national planning framework.

Results of the funding to date include:

- **2,000** communities which have developed adaptation activities focussing on gender and the most vulnerable groups
- **250,000** people have increased climate resilience
- **28,000** people have access to clean energy, half of whom are women

Factcheck

Nepal lies at the heart of the Greater Himalayan region. The glaciers of the Himalayas are the largest body of ice outside the Polar Regions, two thirds of which are now retreating. Within Nepal, the scale of climate change is already apparent, with temperatures rising, glaciers melting, and the increasing occurrence of erratic rainfalls leading to frequent floods and droughts.

Image supplied by CIAT International Center for Tropical Agriculture

Barker riding the energy wave in Northern Ireland

On Tuesday 25 February 2014 Greg Barker visited Northern Ireland to see its potential for harnessing sea energy.

Visiting Strangford Lough to see the most advanced marine tidal turbine in UK waters, the Siemens-owned Marine Current Turbines 1.2MW SeaGen device, Greg Barker said, "This turbine is already connected to the grid and is powering around 1,500 homes here in Northern Ireland. This technology is scalable and has the potential to be genuinely commercial."

On the same day, Greg Barker hosted the Marine Energy Programme Board meeting alongside the Northern Ireland Executive, at the Titanic Building in Belfast.

Upgrading our infrastructure is key to getting our economy moving. The energy sector has the biggest infrastructure programme in the UK and many projects are ready to start such as the SeaGen tidal device.

What some of our followers have tweeted:


RenewableUK @RenewableUK · Feb 27
Great to see @GregBarkerMP talking about a future national policy statement on tidal energy. Fantastic leadership again. exciting times

David Ainsworth, Business Development Manager, MCT; Greg Barker, Achim Worner, Head of Ocean & Hydro Business Unit; and Sven Stoye - Head of Tidal Power Marine Current Turbines – a Siemens Business

Fallon boosts flow of contracts from Norway to UK

Energy Minister Michael Fallon met UK and Norway manufacturers in Oslo to boost competitiveness in securing more business in North Sea projects.

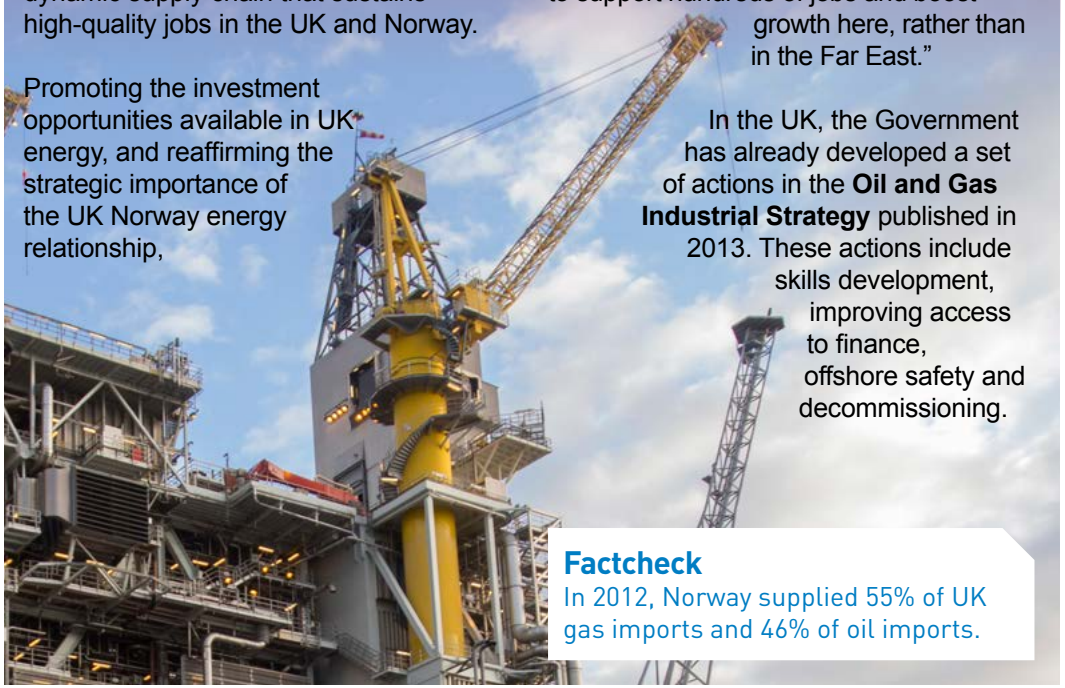
Both the UK and Norwegian manufacturing sector examined opportunities to work together on large offshore projects. A number of significant projects are expected to be approved in the North Sea over the next two years, and it is hoped that the new model will enable British businesses to support a dynamic supply chain that sustains high-quality jobs in the UK and Norway.

Promoting the investment opportunities available in UK energy, and reaffirming the strategic importance of the UK Norway energy relationship,

Michael Fallon also held bilateral meetings with the Norwegian Energy Minister, Mr Tord Lien, and the Norwegian Deputy Trade Minister Dilek Ayhan. Michael Fallon also met leading energy companies at the **Oslo Energy Forum**.

Michael Fallon said: "Britain has a long history of expertise in oil and gas services. When new opportunities for exploration and development are emerging, it is crucial that we work together with Norway to ensure that we secure contracts in the North Sea, to support hundreds of jobs and boost growth here, rather than in the Far East."

In the UK, the Government has already developed a set of actions in the **Oil and Gas Industrial Strategy** published in 2013. These actions include skills development, improving access to finance, offshore safety and decommissioning.



Factcheck
In 2012, Norway supplied 55% of UK gas imports and 46% of oil imports.

Training for in-demand renewable heat installers

On 11 February 2014 Greg Barker visited Devizes, Wiltshire, to announce an additional **£150,000** of funding to the current **£500,000** pledged to fund a training scheme that aims to expand the skill set of domestic heating engineers in renewable heating systems.

The training scheme aims to expand the skill set of domestic heating engineers to include renewable heating systems. The scheme, which includes an apprenticeship initiative, has been in high demand from heating engineers and apprentices alike.

Due to high demand, DECC has increased the funding for the scheme to bolster the supply chain in the run up to the launch of the domestic renewable heat incentive in April 2014.

Giving consumers and installers reliable information is an important part of helping them make decisions about their heating system. With the launch of the domestic renewable heat incentive, it is important to ensure that consumers have a range of installers to consult, and that these installers are trained to the very latest standards.

Greg Barker said: "I am delighted to announce this additional funding, which should be taken as yet another sign of DECC's commitment to renewable heating and the imminent arrival of the domestic RHI this spring."

The Minister presented a Renewable Heat Training Voucher to Grant Engineering. Paul Wakefield, managing director of **Grant Engineering UK**, said: "We have seen a really good uptake in vouchers at our centre in Devizes and in the North so we welcome the announcement by the Minister.

The voucher scheme is administered by GTEC Training Ltd. Further information can be found on the website or on

@rhivoucher

Fallon visits flood affected communities

After 100mph winds battered parts of the country in February, Michael Fallon met engineers from the Slough area and visited an SSE 'storm room' for an overview of the effects of the strong winds and flooding on the local electricity network.

Following his visit to Slough, Michael Fallon travelled on to Wraysbury, which has been badly affected by the floods, and stopped at a substation to see how the local Distribution Network Operator had safeguarded the asset with sandbags and pumps, thanks to the support of the MOD and local fire services.

Electricity Demand Reduction pilot

Call to registration

Key details about eligibility for the Electricity Demand Reduction pilot can be found in a new **factsheet**. Interested organisations are invited to register in order to receive further information about the pilot.

Announced by Ed Davey in September 2013 the pilot has at least **£20 million** available to support projects that deliver lasting reductions in electricity demand.

These could include projects that feature the following:

- Installation of a more efficient lighting system
- Heating
- Ventilation and air conditioning system
- Electric pump

Eligible projects may bid into an auction for a contribution towards the cost of installing more efficient electrical equipment that then delivers savings, on the basis of £ per kilowatt saved.

The final pilot rules will be launched in **June 2014**. Interested bidders will be asked to submit their applications by **October 2014**. Following the auction, contracts will be issued to successful bidders in January 2015.

Companies and organisations can register their interest in taking part in the pilot by e-mailing **edr-project@decc.gsi.gov.uk**

Smart grid to revolutionise energy sector

A smart grid will help **minimise people's bills, create jobs and fuel growth**.

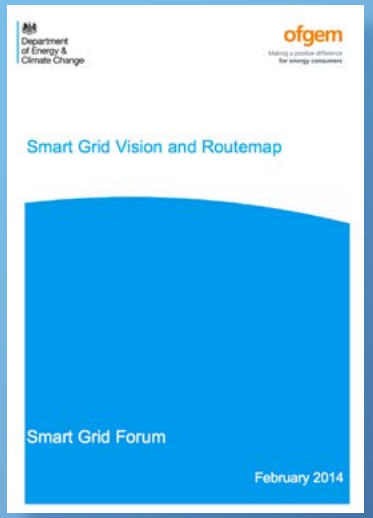
A partnership between Government and Ofgem building on industry input, sets out how smart technologies will:

- Deliver cost-saving efficiencies
- Give consumers greater control over their energy use
- Support up to **9,000 jobs**
- Support up to **£5 billion** in exports
- Increase energy security and enable integration of low carbon technologies

Combining smart grid and conventional technologies have the potential to deliver up to **£12 billion savings by 2050**.

The UK has made significant progress to date in developing its smart grid and is recognised as a European leader for investment in smart grid research and demonstration.

Michael Fallon said: "The development of a smart grid offers exciting opportunities for the UK. It is vital that we modernise our infrastructure to ensure it supports deployment and meets customer needs. The smart grid will also create thousands of jobs, support economic growth and help build a Greater Britain."



Factcheck

A smart grid is a modernised electricity grid that uses information and communications technology to monitor and actively control generation and demand in near real-time, which provides a more reliable and cost effective system for transporting electricity from generators to homes, business and industry.

Events

DECC is hosting two stakeholder workshops to share the latest plans for the ECO and the Green Deal, and to encourage participation in the development of these important policies.

Date	Location	Time	Workshop
Tues 25 March 2014	Newcastle	10am–1pm	ECO Consultation
		2pm–4.30pm	Green Deal
Mon 31 March 2014	Bristol	10am–1pm	ECO Consultation
		2pm–4.30pm	Green Deal

To find out more and register your interest in any of the above workshops **click here**.

Consultations

Supporting independent renewable investment: offtaker of last resort
Closes: 23:45, 24 March 2014

Environmental report for further onshore oil and gas licensing
Closes: 23:45, 28 March 2014

The Future of the Energy Company Obligation
Closes: 23:45, 16 April 2014

Proposals to amend domestic energy supply licence conditions – requiring provision of key energy data in a machine readable format
Closes: 23:45, 21 April 2014

Strategy for the management of Naturally Occurring Radioactive Material (NORM) waste in the United Kingdom
Closes: 23:45, 8 May 2014

Nuclear Industry Association application to justify the UK Advanced Boiling Water Reactor
Closes: 00:15, 13 May 2014

Management of overseas origin nuclear fuels held in the UK
Closes: 00:15, 28 May 2014

Click here for more information on **DECC consultations**

For further information on this and other events, please contact us.

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