

Energy Bill 2012-13: Emissions Performance Standard

Lead Directorate: Office of Carbon Capture and Storage (OCCS)

Issue: The implementation of an Emissions Performance Standard (EPS) to limit the amount of CO₂ emitted by new fossil fuel power stations

Policy commitment:

The Coalition Programme stated: “We will establish an emissions performance standard that will prevent coal-fired power stations being built unless they are equipped with sufficient carbon capture and storage to meet the emissions performance standard” (p16).

The EPS will act as a regulatory backstop on the amount of carbon emissions new fossil fuel plants can emit, and help deliver the Government’s commitment to prevent the most carbon intensive (i.e. unabated coal) power stations from being built.

It will provide a clear regulatory signal that investment in new coal-fired power stations must be consistent with decarbonisation objectives, including that all new coal-fired power stations must have a proportion of their capacity equipped with CCS.

The level has been set so that it does not impact on investment in the new gas generation we will need as we make the transition to a low carbon electricity system. ‘Grandfathering’ that level until 2045, will provide long-term certainty to gas investors.

Legislative proposal:

The EPS reinforces the requirement that new coal fired power stations are constructed with CCS.¹

The Energy Bill 2012 s7 sets a statutory limit on the amount of annual CO₂ emissions allowed from new fossil fuel generating stations. The limit is set at 450g/kWh until 2045. Provision is made under s7 to exempt from the requirements of the EPS plants which form part of the UK’s CCS Commercialisation Programme or benefit from European Union or Contract for Difference funding for commercial scale CCS.

Much of the technical detail of the regime is likely to be set out in secondary legislation after consultation.

The clauses provide for the making of regulations about monitoring and enforcing compliance with the limit, with a view to basing both monitoring and enforcement arrangements on those for the EU Emissions Trading System, so as to minimise

¹ The National Policy Statement for fossil fuel electricity generation (EN-2) requires that any new coal fired plant demonstrate CCS on at least 300MW (net) of the proposed generating capacity as a condition of its consent.

regulatory duplication. Provision is also made to make regulations applying the EPS regime with modifications in various non-standard scenarios where it may be appropriate to do so (e.g. where an existing coal-fired plant replaces its boiler, so giving itself a new lease of life without going through the usual consenting process).

Relationship to other legislative proposals:

The EPS will act as a backstop to limit how much carbon new fossil fuel plants can emit, and work alongside the other policies set out in this White Paper as part of a suite of measures to drive decarbonisation while maintaining security of supply and affordable prices.

The EPS will complement the economic signals provided by the Carbon Price Floor (CPF) and Feed-in Tariff with Contract for Difference (FiT CfD).

Background:

The level of the Emissions Performance Standard will be enshrined in primary legislation. Power stations consented under the 450g/kWh-based level would then be subject to that level until 2045, a process called 'grandfathering' which provides long-term certainty to gas investors.

The Government will review the EPS as part of the decarbonisation reporting process required under s5 of the Energy Act 2010. This requires Ministers to review progress in development of CCS and decarbonisation of electricity supply every 3 years and consider whether such progress/lack of it requires changes to existing policy.