

REDUCING RED TAPE: SUMMARY OF RESPONSES TO LORD MARLAND'S 16 JUNE LETTER TO STAKEHOLDERS

On 16 June 2010, Lord Marland, Minister in the Department of Energy and Climate Change (DECC) responsible for the department's regulatory agenda, wrote to 250 of the department's key stakeholders asking them:

*'what burdens imposed by policies and regulations associated with energy and climate change do you think should be amended, reduced or removed and why?'*¹

Ninety responses were received. This paper summarises these responses, grouped into eleven themes. It should be read alongside the [corresponding letter](#) from Lord Marland setting out how the department is using these suggestions to minimise the regulatory burden that it imposes on society. We have summarised responses in as transparent a manner as possible, while at the same time keeping this paper short and easily digested. Suggestions that were not related to DECC regulation but to other organisations and agencies are not summarised here, but have been forwarded to them for their detailed consideration.

Overall, those responding to this exercise generally recognised the need for fair and proportionate regulation in the area of energy and climate change. This included a recognition by some that it is important for government to regulate to deliver its policy objectives in this area – in particular in fiscally constraint times regulation was recognised as a sensible approach to achieve behaviour change – and also that in certain circumstances regulation is needed to provide business certainty and to encourage the long-term investment required. On the other hand, there were many comments on how DECC could reduce its regulatory burden and that it should attempt to create a holistic policy landscape to avoid conflicting incentives. There were also statements of support for the Coalition Government's new agenda to reduce the regulatory burden government imposes on business.

It should be noted that responses from different stakeholders were not always consistent: there were areas where opinion differed as to the 'right' approach to solve certain issues and this is reflected in the summaries below. For example, views were divided with regards to the requirement for government to intervene in the renewables market, with some organisations asking for support of infant and less established renewable generation technologies while others suggested concentrating support on further developed and cost-effective technologies.

Responses to this exercise fell into eleven main groups, either directly or indirectly:

1. Renewable Energy Policy
2. Climate Change Agreements (CCA)
3. Household Energy Management (CERT/CESP/Green Deal)
4. CRC Energy Efficiency Scheme (CRC)

¹ The original letter is reproduced as Annex A at the end of this document

5. Building Regulations
6. Energy Markets
7. EU Emissions Trading Scheme (EU ETS) / EU Policy
8. Energy Security
9. Fuel Poverty
10. Greenhouse Gas (GHG) Emissions reporting requirements
and
11. The use of tax policy to drive emission reductions and simplify our policy landscape

Each of these areas will be summarised in turn.

1. Renewable energy

Renewable energy is a vital component of the UK's diverse energy mix. The UK target is to source 15 percent of our energy (electricity, heat and transport) from renewable sources by 2020 (from about 3% in 2009) and a number of policies have been put in place to achieve this objective.

Thirty-eight organisations commented on renewable energy policy. General comments about the UK's efforts to accelerate the deployment of renewable energy generation expressed concerns about the cost implications for energy consumers and requested a fair burden sharing across sectors, and the concentration of financial support to cost-effective technologies. In contrast, other contributions requested government widens its support to other currently unsupported technologies. Comments on specific aspects of renewable energy policy are summarised below.

Renewables Obligation (RO)

The **Renewables Obligation** is currently the main mechanism for supporting large scale generation of renewable electricity through placing an obligation on licensed electricity suppliers to source a specified and annually increasing proportion of their electricity sales from renewable sources, or pay a penalty.

Comments on the RO largely related to where simplifications could be implemented. Some considered the claiming process burdensome, with solutions suggested to be to not further complicate it, to simplify it, or to replace it with the more easily administrable Feed-In Tariffs (FITs). However, this was an areas where there were differences in opinion, with other organisations stating that a replacement of Renewable Obligation Certificates (ROCs) by FITs would not be desirable as it would create uncertainty and delay investment decisions by potential generators of renewable electricity. Widening the eligibility of certain fuels and technologies for ROCs was also subject of some suggestions.

Feed-In Tariffs (FITs)

[Feed-in tariffs](#) provide a system of financial support to incentivise small scale (less than 5MW), low carbon electricity generation. Through the use of FITs DECC hope to encourage deployment of additional low carbon electricity generation, particularly by organisations, businesses, communities and individuals who are not traditionally engaged in the electricity market.

Due to the relatively recent introduction of FITs, a number of organisations felt that there was still scope to clarify certain details in order to ensure administrative ease for participants in the scheme and to provide the long-term planning certainty required for investment decisions. Also for FITs suggestions were made with regards to widening the support to new technologies and limiting the support to cost-effective technologies.

Renewable Heat Incentive (RHI)

On 1st February 2010, DECC published a consultation on the proposed design of the RHI. The [Renewable Heat Incentive](#) aims to provide financial support for those who install qualifying renewable heating and was designed to help meet DECC's 2020 15% renewable energy target and the consequent need to develop new ways of generating renewable energy in all sectors, including heat.

For RHI, certainty was a central theme amongst organisation who commented on this scheme. A number of organisations proposed that plans for the future of the scheme should be announced as soon as possible to create the planning certainty required for businesses to make investment decisions. Comments were generally supportive of the policy, although some were received which opposed the funding of the scheme through a levy on fossil fuels.

Certification

Certification of renewable energy generation installations and equipment was an area that organisations felt provided scope for cutting red tape. It was suggested that the Microgeneration Certification Scheme (MCS) should be streamlined to encourage greater take-up.

2. Climate Change Agreements (CCAs)

[Climate Change Agreements](#) allow eligible energy-intensive businesses to receive an 80 percent discount (65% from April 2011) from the Climate Change Levy in return for meeting energy efficiency or carbon-saving targets.

Fourteen organisations commented on the CCAs. The majority of comments were positive and supportive of the scheme as a good way of encouraging businesses to adopt more energy efficient behaviours. Overlaps with the EU ETS, however, were an area where some organisations felt that streamlining was desirable. One response suggested replacing CCAs with the EU ETS or CRC. The eligibility for

CCAs was another area of focus; some requests were made to extend eligibility further to enable CCAs to cover a broader range of sectors, which could then potentially allow a simplification of the overall regulatory landscape in this area. A more general suggestion expressed that the eligibility for CCAs should be more easily determinable.

3. Household Energy Management

[Reducing energy consumption in the home](#) can lead to a range of important benefits both for the household itself and wider society. The UK has a target of reducing carbon emissions from the household sector by 29% by 2020. A number of initiatives are currently in place or are planned to meet this target, and fifteen organisations contributed comments related to policies in this area.

Carbon Emission Reduction Target

[The Carbon Emissions Reduction Target \(CERT\)](#) requires all domestic energy suppliers with a customer base in excess of 50,000 customers to make savings in the amount of CO₂ emitted by householders. Suppliers meet this target by promoting the uptake of low carbon energy solutions to household energy consumers, thereby assisting them to reduce the carbon footprint of their homes.

Community Energy Saving Programme

[The Community Energy Saving Programme \(CESP\)](#) targets households in areas of low income to improve energy efficiency standards and reduce fuel bills. CESP promotes a “whole house” approach i.e. a package of energy efficiency measures best suited to the individual property, and is delivered through the development of community-based partnerships between Local Authorities (LAs), community groups and energy companies, via a house-by-house, street-by-street approach.

Some responses stated that CERT and CESP are overly prescriptive and process oriented, leading to the need for frequent tweaks and changes to the schemes. It was also suggested that future schemes should take a more risk-based approach to enforcement and certification, with flexibility in areas where compliance with the requirements can be expected. Some organisations remarked that domestic sector policies should be better aligned by working towards the same reporting, closing and change dates.

Green Deal

The Government announced in the Queen’s Speech on 25 May 2010 that it is to introduce legislation for the “Green Deal” – a new and ambitious approach to home energy efficiency. The Green Deal will enable householders to install energy efficiency measures with no upfront payment, repaying the cost of the work over time through savings on their energy bills.

In general, stakeholders expressed that any follow-up schemes to CERT and CESP such as the Green Deal should be more flexible and use a variety of financing approaches, including the utilisation of a pay as you save (PAYS) model to remove the burden of upfront payments. Also a revision of delivery partners was encouraged, to redefine the roles energy generators, energy suppliers and Local Authorities should play.

4. Carbon Reduction Commitment Energy Efficiency Scheme (CRC)

The [CRC](#) is a mandatory energy efficiency scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. The scheme provides a financial incentive to reduce energy use by putting a price on carbon emissions and also provides the opportunity for participating organisations to make savings on energy bills through improved energy efficiency.

Comments on the CRC Energy Efficiency Scheme were received from forty-six organisations. While some organisations requested the repeal or a delay in implementation of the scheme, others commented on specific areas of the scheme they considered particularly burdensome.

The most commonly expressed concerns were the administrative complexity of the scheme; the uncertainty of return on investment from the league table approach; the issue of upfront costs in cash-flow restricted times; overlaps of the scheme with CCAs and EU ETS (in particular the complexity of getting an exemption from CRC where some of the organisation's emissions were already covered by those schemes) and differing reporting requirements between CRC and other schemes. Other concerns arose from the growth metric and the auction and trading process.

Another issue raised was the fact that the CRC operates at the organisation level, when this top level might not be in a position to influence the energy efficiency and consumption behaviour on the ground (e.g. for franchises, unit trusts or public sector infrastructure companies).

There were also some positive comments on CRC, for example welcoming the creation of new service markets or the investment in energy efficient technologies.

5. Building Regulations

Building Regulations set the minimum energy efficiency standards that any newly constructed home must achieve. These standards are regularly tightened so that a house built today will be at least 40 percent more energy efficient than one built before 2002. There is an additional target for all new homes to be zero-carbon from 2016. The Department for Communities and Local Government (CLG) has lead responsibility for setting the standards in the Building Regulations. See the [Communities and Local Government: Building Regulations](#) webpages for full details.

Fifteen organisations made comments which relate to the regulation of building standards. As outlined above CLG is the lead department for most aspects of building regulations and this shared responsibility between CLG and DECC was reflected in the suggestions received, which often related to better aligning existing standards and codes between the two departments.

Organisations had varying views with regards to the need for intervention in this area, with some comments requesting a stricter regulation of energy efficiency building standards in order to ensure take up and others suggesting that government should rely on the market and the building design process with its inherent efficiency considerations.

6. Energy Markets

Wherever possible, DECC sees free and independently-regulated [energy markets](#) as being the best way to achieve our energy policy objectives, and secure competitive prices for consumers, with the aim being to make sure energy markets run smoothly in the EU and beyond.

The regulatory framework for energy markets was another popular area for comments, with twenty organisations providing suggestions. This is another area with split responsibility, with DECC responsible for the underlying legislation, but in most instances the actual regulation being carried out by Ofgem, the independent regulator.

A market reform and a rationalisation of policies in this area were suggested by some. Organisations also commented on specific areas where they felt there was scope for simplification, for example with regards to communities' ability to sell electricity, the requirements for electricity and gas meter inspections or guaranteed and overall standards of consumer services. Consumer bills and the information provided in them was also an area where suggestions were received, along with a call for a review of the current approach.

Comments were also received concerning the regulation of the transmission networks² for gas and electricity, in particular in the area of offshore electricity transmission, suggesting for example the extension of onshore licences or the introduction of a generator builds approach. There were also contributions regarding transmission charging arrangements, requesting different regulatory approaches.

In addition, some organisations felt that areas of the distribution network³ operation could be simplified, for example by reviewing the existing refund requirements.

² The gas and electricity transmission network is constituted by high voltage electricity wires and high pressure long distance gas pipelines.

³ The distribution networks carry gas and electricity from the transmission network to the end users and are monopolies. Distribution network operators charge energy suppliers for the transport of energy via their network.

Ofgem itself and its activities were also the subject of some of the responses, with suggestions asking for a review of Ofgem's role, a better alignment of Ofgem's information requests and the removal of duplications and the reorganisation of some of its functions.

7. EU Emissions Trading System (EU ETS) / EU Policy

The [EU Emissions Trading System \(EU ETS\)](#) directive is the EU's main policy mechanism for reducing CO₂ emissions from energy intensive sectors. It is a cap and trade scheme and encourages the cost-efficient abatement of CO₂ emissions.

Seven organisations provided comments relating to the EU ETS. While a number of these requested exemptions for, or more favourable treatment of, certain sectors, others raised concerns about the cost implications from the auctioning of allowances and the way this piece of European regulation has so far been transposed to the UK and suggested a light-touch transposition of future phases. The pursuit of a small emitter opt-out and the use of national equivalent measures by the UK were encouraged to lessen the administrative burden of being subject to the EU ETS. There was also the perception that the forms and processes for the EU ETS between England and the devolved administrations could be better aligned.

In addition to comments regarding the EU ETS, nine organisations also provided input on EU policies more generally. Besides requests regarding the EU negotiation process and access to EU grants, the suggestion was also made that the UK should not 'gold-plate' EU law and should transpose as late as possible.

8. Energy Security

DECC's work to ensure a [secure energy supply](#) involves working both in the short-term, to minimise the risks of any unplanned interruptions, and in the long-term, by having the right policies in place. This includes policies that encourage competitive energy markets, both in the UK and internationally; diverse energy sources; international energy dialogue; and timely and accurate information to the market.

Seven organisations contributed with a view to the provision of energy security, often pointing out the connection to the certainty required for investment decisions. Views were divided with regards to how an increased storage of gas should be achieved, with some organisations pushing for an obligation on suppliers and others being in favour of creating financial incentives to encourage industry to build storage facilities. One suggestion was that compulsory oil stocking obligations could be covered by a private oil stock holding agency.

9. Fuel Poverty

Fuel Poverty is being addressed by policies to target the three main factors that influence fuel poverty – household energy efficiency, fuel prices and household income, and DECC have put in place a strong package of programmes and measures to address these concerns.

With regards to fuel poverty, comments were received from two organisations and suggested that DECC stops its efforts to reduce fuel poverty and leaves this to be addressed through social welfare measures and that Government makes more information available to suppliers to allow for a more targeted approach to the fuel poor.

10. Greenhouse Gas (GHG) Emissions Reporting Requirements

A number of Government policies require or encourage organisations to monitor and report their greenhouse gas emissions. While Defra lead on GHG emissions reporting as part of their responsibilities for environmental reporting, DECC has an interest because of our responsibilities for addressing climate change.

The comments received from fourteen organisations called for better alignment of the requirements and suggested that the various existing reporting requirements should be rationalised and also work towards the same aggregate levels.

11. The use of tax policy to drive emission reductions and simplify our policy landscape

Comments were also received regarding a carbon tax as an alternative approach to influencing energy consumption behaviour and on the Climate Change Levy. These are noted here for completeness, but tax policy decisions are a matter for the Chancellor.

Original Letter from Lord Marland of Odstock to DECC Stakeholders

16 June 2010

Dear Sir or Madam,

Reducing Red Tape

As you will be aware, the Coalition Government is committed to cutting unnecessary red tape and excessive regulation. In recent weeks, both the Prime Minister and the Secretary of State for Business have made announcements demonstrating the importance of this commitment. As the Minister in the Department of Energy and Climate Change (DECC) responsible for our regulatory agenda, I am keen to work with you to explore the scope for reducing and simplifying the burden of red tape imposed by DECC.

DECC has a challenging and critical agenda to ensure energy security and avoid dangerous climate change. In light of the importance of this agenda 26 initiatives relating to energy and climate change were included in the [Coalition Programme](#) – and we shall need to use a wide range of levers to cut carbon emissions, decarbonise the economy and support the creation of new green jobs and technologies. However, we are committed to ensuring that the resulting burden on business is as light as possible while still delivering these very important goals.

I am therefore writing to you now to ask whether there are any existing or planned DECC regulations which you believe should be simplified or repealed. Specifically, I would like to hear your views on:

What burdens imposed by policies and regulations associated with energy and climate change do you think should be amended, reduced or removed and why?

We aim to conduct this exercise as quickly as possible. For this reason, responses would be much appreciated by **Thursday 1st July 2010**. I have designated **Ferry Lienert** at this Department to coordinate this process and responses should be sent to him at Ferry.Lienert@decc.gsi.gov.uk.

For transparency, a summary of the responses received from this exercise will be published on the DECC website. We are determined to deliver leaner regulation but it must however be fair and reasonable which I am sure you understand when responding to this request.

I much appreciate you taking the time to respond to this initiative which I hope you welcome.

With kind regards,



LORD MARLAND OF ODSTOCK