

# Department for Business, Energy & Industrial Strategy

## Speech by Chris Huhne to Guardian's Cleantech Energy Summit

*Department for Business, Energy and Industrial Strategy sent this bulletin at 23-11-2010 02:47 PM GMT*

### **Speech by Chris Huhne to Guardian's Cleantech Energy Summit 23 November 2010**

*Check against delivery*

#### **INTRODUCTION**

Thank you very much. It's my pleasure to be here today.

Climate change is the challenge of our age. It is not just about saving the planet, but saving the people on it.

We need a more sustainable energy mix, one that can meet our future needs and match our emissions reduction ambitions. We are overly-reliant on imported fossil fuels, exposing us to the volatility of global energy markets.

As resources become ever scarcer and demand grows in emerging economies, we cannot risk deepening our dependence.

We have the oldest housing stock in Europe, and our draughty homes leak heat, causing a quarter of our carbon emissions.

We also face major challenges in power generation. Over the next decade, around 20 Gigawatts of capacity will close, as old power stations shut down.

We need £200 billion to replace our ageing infrastructure – double the rate of investment during the normal replacement cycle. Every step we take to get ourselves off the fossil fuel hook and on to clean, green growth brings us closer to achieving our emissions reductions targets.

Last week, I spoke at the CBI's annual summit on climate change. Despite its title, you will not be surprised to hear that much of the discussion focused on energy investment – and on the opportunities for green business.

After all, climate change and energy policy are inextricably linked. And thankfully, there is a positive feedback loop between the two.

Without cleaner energy, we cannot save our environment. Action on climate change can boost incentives for greener power.

And the most hardened climate change sceptic recognises the need for greater energy security.

There is something else that helps us make the case. In every public policy discussion at the moment, at every level, the deficit looms large.

Public relations professionals, lobbyists, politicians and columnists alike have seized on recession and recovery as the problem to which they offer solutions.

Everyone believes their pet project will make an essential contribution to the recovery.

But in energy security and climate change, we have the numbers on our side.

The value of the global low-carbon goods and environmental services market is expected to reach £4 trillion by the end of this Parliament. It is growing at 4% per year, faster than world GDP.

Our share of that market is £112 billion. In the UK, nearly a million people will be employed in the low-carbon sector by the end of the decade.

In budgetary hard times, growth like this is hard to come by. And it is even harder to ignore.

### **POST-CSR LANDSCAPE**

That is what helped us, during the Spending Review, to secure a favourable settlement for DECC.

With £200 million for low-carbon technologies, including offshore wind and manufacturing infrastructure.

£860 million for the Renewable Heat Incentive, a world-first scheme to drag renewable heat technology from the margins to the mainstream. And up to £1 billion for the commercial-scale carbon capture and storage demonstration project.

We achieved this settlement because we could present a clear and economically sound answer to the question of where the growth will come from.

Our answer was that the third industrial revolution – the green revolution – represents a real and tangible prospect for growth. With jobs, investment and exports up for grabs.

After every deep recession – such as in the Thirties – recovery is secured by new jobs in new industries, not by the old industries alone bouncing back.

Green growth also goes some way towards answering a deeper, more fundamental question: about the kind of economic path we wish to pursue.

Yes, the financial services sector makes a huge contribution to our national prosperity. But the lesson of the banking crisis is clear: we cannot afford to risk the house on a throw of the dice.

I believe we must rebuild the economy on more sustainable terms, playing to our strengths; not just in the City of London, but in engineering. Highly-skilled manufacturing. Scientific research and technology. The kind of businesses that are represented here today.

### **COALITION APPROACH**

Together, the science of climate change, the realpolitik of energy security and the prospects for economic recovery make a powerful case for the green revolution.

And that is why, across most of the energy and climate change portfolio, there has been such strong cross-party consensus in favour of action.

That consensus extends to the Opposition benches.

By its end, the previous Government had good intentions and the right ambition. But it failed to grasp the nettle of delivery.

That is where we will be different.

The Coalition will deliver on its promise to be 'the greenest government ever'.

Our policy is based on four pillars: energy saving. More renewables. New nuclear. And clean coal and gas.

Our first priority is the Green Deal, the radical programme to bring our existing houses up to 21st century efficiency standards.

Across the country, homeowners will be able to get energy efficiency improvements without having to front up the cash. Businesses will pay, receiving their money back

from the energy savings on household bills. The golden rule is that savings will always exceed costs.

The Green Deal will be extended to businesses, too. And we predict it could create 100,000 jobs within five years, spread across the United Kingdom.

Our second priority is the Electricity Market Reform programme, a wholesale redesign of our electricity market.

It is clear that the current framework does not provide the certainty that investors need; and that it cannot deliver the low-carbon revolution that we need.

The liberalised energy market provided us with cheap and secure energy since the 1990s. But new challenges demand fundamental reform.

We must increase drastically the amount of renewables in our energy mix to make our contribution to Europe's target on renewable energy.

We are 25th out of 27 EU members states on renewables. We are certainly playing in Europe's amateur league when we ought to be in the Premiership.

The power sector needs to lead the way when it comes to cutting carbon out of our economy. For us to meet our ambitious climate change goals, it must be close to zero carbon by 2030.

And our 2050 Pathways suggests that demand for electricity may double by 2050, as we plug in to the grid to power our cars and heat our homes.

Some measures have already been introduced that will help direct investment towards the low carbon energy sources of the future – like the Renewables Obligation, and the EU Emissions Trading Scheme.

But these have been incremental, not transformational. And the bias towards cheap fossil fuel generation remains.

The existing market framework will not deliver the scale of investment in renewables, nuclear and carbon capture and storage, all of which have significant upfront capital costs.

Left as it is, the electricity market would allow a new dash for gas, exposing us to further import dependence and volatile prices – and locking carbon emissions into the system for decades.

Our reform will examine the levers we could use to secure investment at scale in cleaner, greener electricity generation.

It is a fundamental change in the UK electricity market, the biggest since privatisation.

It will bring our stagnant energy market to life, driving investment in the energy of the future.

Failure to get a more sustainable energy system up and running also exposes us to fickle international energy markets.

Security of supply is important. But equally critical is security of price.

We have come to the end of the age of cheap energy.

And for businesses grappling with tight margins and for vulnerable people at risk of deepening fuel poverty, volatile energy markets could cause significant problems.

## **THE BIGGER PICTURE**

Now more than ever, we need to get to grips with the international dimension. So our final priority is to exert our influence on the global stage, to secure more ambitious European action on climate change – and to push for a binding deal.

After the disarray of the Copenhagen summit, we desperately need to get international negotiations back on track.

Through the UNFCCC, we can show the developing and developed world that we are committed to a fair and firm agreement deal to halt catastrophic climate change.

These are complicated problems. Our ability to solve them depends on concerted action, from the household that decides to invest in better insulation to the UNFCCC working group that develops the international framework on deforestation.

The best way for us to respond is to get on the front foot.

Showing through our actions that the low-carbon transition is affordable, achievable, and beneficial.

After all, the transition to a low-carbon future brings significant opportunities - for growth, for jobs and for sustainability.

It is up to us to take advantage of them.

Thank you very much.

-END-