

Business Plan 2011–2015

Department of Energy and Climate Change

November 2010

This plan will be refreshed annually

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A) Vision

Our vision is of a thriving, globally competitive, low carbon energy economy. Achieving this through a long term transition to secure, affordable, low carbon energy on the way to an 80% cut in greenhouse gas emissions by 2050 will mean a transformation in the way we generate and use energy. In the near term, we will still need secure and safe oil and gas supplies from the North Sea and through collaboration with international partners. But as we look to the future, decarbonising our energy use will mean far more use of electricity in our transport system, in the way we heat our homes and businesses, and in the way our industry operates. That requires a big increase in electricity production, likely to need to double by 2050. At the same time, we need to drive down demand, increase efficiency, reduce wasted energy and ensure that we deliver in a way that maximises the effectiveness of taxpayers' money.

Making that change offers great opportunities, creating a wealth of new green jobs as we reform our system and infrastructure, helping to protect our economy from international energy price spikes, and ensuring that our energy system is resilient and secure from a range of risks, including natural hazards and other threats, as we establish the low carbon technologies that will be at the heart of our energy system: renewable energy, a new generation of nuclear power built without public subsidy, and clean fossil fuels through Carbon Capture and Storage (CCS).

In the next five years, we will take action to set the UK on this path, helping not only our own economy but global efforts on climate change – leading the way through action at home, working with other countries to promote practical action to support low carbon growth, and seeking a global deal to limit emissions. Our first priority must be to deal with the legacy of the past, working towards a more cost-effective and responsible process for the safe and secure decommissioning of nuclear legacy facilities and radioactive waste management. Looking ahead, our new Green Deal will offer households and businesses access to the finance they need to install energy efficiency measures, repaid through savings on their bills; a reformed energy market will provide a secure base for the £200bn of investment needed in our electricity infrastructure by 2020; we will support the world's first commercial scale demonstration of Carbon Capture and Storage; we will work towards obtaining 15% of our energy from renewable sources by 2020; and the roll out of smart meters and a smart grid will create the right base for an energy system that is fit for the long term.

Chris Huhne, Secretary of State for Energy and Climate Change

B) Coalition Priorities

Structural Reform Priorities

1. **Save energy with the Green Deal and support vulnerable consumers**
 - Reduce energy use by households, businesses and the public sector, and help to protect the fuel poor
2. **Deliver secure energy on the way to a low carbon energy future**
 - Reform the energy market to ensure that the UK has a diverse, safe, secure and affordable energy system and incentivise low carbon investment and deployment
3. **Drive ambitious action on climate change at home and abroad**
 - Work for international action to tackle climate change, and work with other government departments to ensure that we meet UK carbon budgets efficiently and effectively
4. **Manage our energy legacy responsibly and cost-effectively**
 - Ensure public safety and value for money in the way we manage our nuclear, coal and other energy liabilities

B) Coalition Priorities

The Department will no longer...

... fund technologies unless we are confident that they are the most critical to meeting long-term decarbonisation and energy security objectives

...contribute to funding the establishment of the National Nuclear Centre of Excellence. The Government's key needs for technical advice and related support on nuclear non-proliferation issues will instead be met by new cross-government arrangements that were announced in the Strategic Defence and Security Review

...contribute the same level of voluntary contributions to international energy and climate organisations, and will focus our international low carbon technology efforts on what can be delivered within our Official Development Assistance Budget

...fund any of the economic development activities previously funded by the Regional Development Agencies, once we have met our share of liabilities and wind-up costs

...provide the same scale of funding to deal with the overseas nuclear legacy once current commitments are met

C) Structural Reform Plan

The Coalition is committed to a programme of reform that will turn government on its head. We want to bring about a power shift, taking power away from Whitehall and putting it into the hands of people and communities, and a horizon shift, making the decisions that will equip Britain for long term success. For too long citizens have been treated as passive recipients of centralised, standardised services. This Government is putting citizens back in charge, and Structural Reform Plans are part of this shift of power from government to people.

This section sets out how, and when, the Department will achieve the reforms that are needed to make this happen. Structural Reform Plans are key tools for holding departments to account for the implementation of Programme for Government commitments, replacing the old top-down systems of targets and central micromanagement.

Each month, the Department publishes a simple report on its progress in meeting these commitments. These reports are available on our departmental website and on the Number 10 website.

All legislative timings and subsequent actions are subject to the Parliamentary timetable and approval.

1. Save energy with the Green Deal and support vulnerable consumers

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Reduce energy use by households, businesses and the public sector, and help to protect the fuel poor

ACTIONS	Start	End
1.1 Drive greater energy efficiency in households and businesses through the Green Deal		
i. Design Green Deal finance mechanism to: (a) help households and businesses fund energy efficiency improvements through savings on their energy bills, and (b) pass that charge onto a future bill-payer so that they only pay whilst enjoying the benefits	Started	Nov 2010
ii. As part of the Green Deal design provisions in primary legislation for a new obligation on energy companies to support energy efficiency measures for their customers, to succeed the Carbon Emissions Reduction Target which supports vulnerable low-income consumers and hard-to-treat homes	Started	Jun 2011
iii. Develop policies to increase demand for the Green Deal, alongside core finance offer	Started	Oct 2012
iv. Work with potential providers to facilitate early precursor offers to the Green Deal	Started	Jun 2011
v. Introduce Energy Security and Green Economy Bill in Parliament to create powers to support the Green Deal, including the new energy company obligation	Dec 2010	Dec 2010
vi. Develop accreditation process to ensure public confidence in Green Deal measures	Started	Sep 2011
vii. Consult on secondary legislation to enable the Green Deal, including the new obligation on energy companies	Oct 2011	Jan 2012
viii. Lay secondary legislation before Parliament	Jan 2012	Jan 2012
MILESTONES		
A. Early Green Deal offers start to become available (not underpinned by legislation)	Dec 2010	
B. Energy Security and Green Economy Bill introduced	Dec 2010	
C. Formal Green Deal offers available (underpinned by legislation)	Oct 2012	
D. First release of data showing number of energy efficiency installations under the Green Deal	Mar 2013	

1. Save energy with the Green Deal and support vulnerable consumers

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Reduce energy use by households, businesses and the public sector, and help to protect the fuel poor

ACTIONS	Start	End
1.2 Use energy better through rolling out smart electricity and gas meters across Britain		
i. With Ofgem, publish and consult on a prospectus setting out detailed proposals for smart meter roll out (including roll out strategy, meter requirements, and data privacy and security arrangements)	Completed	-
ii. Analyse consultation responses and develop plan for subsequent phases of the programme	Nov 2010	Apr 2011
iii. Subject to consultation, publish detailed implementation plan leading to full roll out beginning in summer 2012	Apr 2011	Apr 2011
iv. Subject to consultation, work with industry to confirm technical specifications and begin roll out of smart meters across Britain	Started	Jul 2012
1.3 Take action to support vulnerable households in meeting the cost of energy bills		
i. Consult on the structure of a Social Price Support scheme to require energy companies to help vulnerable households with their bill costs	Dec 2010	Jan 2011
ii. Lay regulations on Social Price Support scheme before Parliament	Feb 2011	Apr 2011
iii. Consult on improvements to Warm Front eligibility criteria to target available support at the most vulnerable in the period before the introduction of Green Deal	Started	Mar 2011
MILESTONES		
E. New Warm Front eligibility criteria come into force	Mar 2011	
F. Social Price Support regulations come into force	Apr 2011	
G. Approach to monitoring smart meter roll out progress and timing of data publication (on number of installations) established	Apr 2011	
H. Roll out of smart meters begins (subject to consultation responses)	Jul 2012	

1. Save energy with the Green Deal and support vulnerable consumers

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Reduce energy use by households, businesses and the public sector, and help to protect the fuel poor

<u>ACTIONS</u>	<u>Start</u>	<u>End</u>
1.4 Drive greater energy efficiency in central government departments and the public sector		
i. Reduce central government's emissions by 10% in twelve months		
a) Monitor all departments' implementation plans on a monthly basis	Started	May 2011
b) Publish emissions data online, including real time energy use from central government building headquarters	Started	May 2011
c) Publish guidance on priority actions for all government departments to manage building energy use and report against departments' activities	May 2011	May 2011
ii. Agree a stretching and cost-effective level of ambition for longer-term reductions in government and public sector emissions, including potential targets and incentives	Started	Jul 2011
<u>MILESTONES</u>		
I. Data released on emissions data for central government building headquarters (published monthly)	Complete	
J. Central government carbon emissions reduced by 10%	May 2011	
K. Longer-term ambitions set for government and public sector emissions reduction	Jul 2011	

2. Deliver secure energy on the way to a low carbon energy future

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Reform the energy market and work internationally to ensure that the UK has a diverse, safe, secure and affordable energy system and incentivise low carbon investment and deployment

ACTIONS	Start	End
2.1 Reform the electricity market to ensure fair competition and security of gas and electricity supplies		
i. Publish gas market reform, via the Energy Security and Green Economy Bill, strengthening the market mechanism for ensuring that sufficient gas is available	Dec 2010	Dec 2010
ii. Consult on electricity market reforms, potentially including the following proposals:	Dec 2010	Mar 2011
a) Support for a carbon price to ensure that energy prices reflect their carbon content and encourage investment in low carbon generation		
b) A mechanism to reduce revenue uncertainty for low carbon generation e.g. by establishing a full system of Feed in Tariffs		
c) Introducing a new capacity mechanism, improving security of supply by incentivising or requiring sufficient capacity in the energy system		
d) An Emissions Performance Standard for fossil fuel power stations that will prevent new coal power stations being built unless equipped with CCS		
iii. Publish White Paper setting out reforms to the electricity market	May 2011	May 2011
iv. Review the role of Ofgem in delivering government's aims for independent regulation of the energy sector	Started	May 2011
v. Work with HMT on the reform of the Climate Change Levy to help support the carbon price, with legislation brought forward by HMT in the Finance Bill 2011 as appropriate	Started	Apr 2011
vi. Submit energy National Policy Statements (making the case for new energy infrastructure) to Parliament for ratification	Started	May 2011
vii. Undertake work to improve the resilience of the energy system, including flood protection at key electricity sites, through the Energy Sector Resilience Plan	Dec 2010	Mar 2012
MILESTONES		
A. Electricity Market White Paper and Ofgem review published	May 2011	

2. Deliver secure energy on the way to a low carbon energy future

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Reform the energy market and work internationally to ensure that the UK has a diverse, safe, secure and affordable energy system and incentivise low carbon investment and deployment

ACTIONS	Start	End
2.3 Facilitate the world's first new nuclear development without public subsidy by 2018		
i. Seek Parliamentary approval of regulatory justification decision on whether the economic, social and other benefits of new radioactive practices (such as nuclear power stations) outweigh potential detriment to health	Started	Dec 2010
ii. Complete Order and Regulations for financing of waste and decommissioning associated with new nuclear build	Apr 2011	Apr 2011
iii. Set arrangements for the independent assessment of the safety, security and environmental impact of new reactor designs	Jun 2011	Jun 2011
2.4 Demonstrate the use of clean fossil fuels through commercial scale Carbon Capture and Storage (CCS) technology in the UK		
i. Award contract for first demonstration project	Dec 2011	Dec 2011
ii. Run process to identify further CCS projects to be supported by public investment	Dec 2010	May 2012
2.5 Set in place a framework to establish a smart electricity grid		
i. Work with industry to develop a framework for smart grid standards	Started	Dec 2010
ii. As part of the Electricity Market White Paper, set out a strategy for future electricity networks to increase efficiency and reliability of the network; enable flexible demand management and the use of electric vehicles; and support integration of more local and wind-powered generation	Started	Jun 2011
MILESTONES		
F. Regulatory justification on new nuclear submitted for Parliamentary approval	Dec 2010	
G. Contract awarded for first UK CCS demonstration	Dec 2011	
H. Further CCS projects for public investment identified	May 2012	

2. Deliver secure energy on the way to a low carbon energy future

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Reform the energy market and work internationally to ensure that the UK has a diverse, safe, secure and affordable energy system and incentivise low carbon investment and deployment

ACTIONS	Start	End
2.6 Set in place reforms to the electricity grid to ensure sufficient capacity and access to connect new forms of energy generation		
i. Design National Policy Statements with clear and effective guidance on onshore grid infrastructure to enable network development to take place in an environmentally sustainable and timely manner	Started	May 2011
ii. Publish proposals for tackling the regulatory, legal, planning and technical barriers to coordinated offshore grid development in the North and Irish Seas	Dec 2012	Dec 2012
2.7 Work to ensure that international action supports the UK's low carbon development and energy security objectives		
i. Agree action plan for cooperation with Norway on oil and gas, CCS and renewables	Started	Dec 2011
ii. Seek clear national action plans to reduce inefficient fossil fuel subsidies at G20 summit in Seoul	Started	Nov 2010
iii. Agree new energy charter to improve oil price stability at the International Energy Forum	Started	Feb 2011
iv. Re-prioritise the work of the International Energy Agency at the ministerial meeting to increase focus on low carbon technologies and non-members	Started	Oct 2011
v. Launch new energy dialogues with China and Brazil	Started	Mar 2011
vi. Secure multi-country and business commitments on overcoming the barriers to deployment of CCS at the Clean Energy Ministerial to be held in Abu Dhabi	Started	Apr 2011
MILESTONES		
I. National Policy Statements published		May 2011
J. Coordinated offshore grid development proposals published		Dec 2012

3. Drive ambitious action on climate change at home and abroad

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Work for international action to tackle climate change, and work with other government departments to ensure that we meet UK carbon budgets efficiently and effectively

ACTIONS	Start	End
3.3 Secure UK climate policy objectives and encourage high ambition at EU level		
i. Build support for the increase in the EU emissions reduction target to 30% by 2020	Started	Jun 2011
ii. Agree policy on benchmarking/free allocation of carbon emission allowances and feed into interim EU decisions	Started	Dec 2010
iii. Agree a European Energy Action Plan, which includes a framework for investment in low carbon infrastructure within the EU	Started	Dec 2011
iv. Drive efforts within the EU to amend the Emission Trading Scheme Directive to deliver full auctioning of allowances	Started	May 2015
3.4 Help developing countries take action by providing finance and technological support, including by making sure fast-start funding flows		
i. Design a new international Green Fund with international partners	Started	Dec 2011
ii. Use the Advisory Group on Climate Finance proposals (to raise \$100bn by 2020) to drive international agreement on innovative sources of finance for climate change	Nov 2010	Dec 2012
iii. Publish first EU report on the progress of fast-start funding	Nov 2010	Nov 2010
iv. Develop further detail on how UK fast-start funding will be deployed	Nov 2010	Apr 2011
v. Establish the Capital Markets Climate Initiative to use private sector expertise to test new and innovative instruments for leveraging private finance to tackle climate change in developing countries	Started	Dec 2012
MILESTONES		
E. Capital Markets Climate Initiative launched	Complete	
F. First EU report on progress of fast-start funding published	Nov 2010	
G. Policy on benchmarking/free allocation agreed	Dec 2010	

D) Departmental expenditure

This section sets out how the Department is spending taxpayers' money as clearly and transparently as possible.

We have included a table to show the Department's planned expenditure over the Spending Review period, as agreed with the Treasury. It is split into money spent on administration (including the cost of running departments themselves), programmes (including the frontline), and capital (for instance new buildings and equipment). As soon as possible, we will include the proportion of this expenditure that goes to the voluntary and community sector and to small businesses.

By April 2011, each department will also publish a bubble chart setting out in detail how its settlement will be allocated for the 2011/12 financial year, across its key programmes and activities.

Table of spending for 2011/12 to 2014/15

This section sets out the Department's planned expenditure over the Spending Review period, as agreed with the Treasury.

£bn ^{1 2 3}	Baseline 2010/11	2011/12	2012/13	2013/14	2014/15
Total departmental expenditure allocation	2.9	3.0	3.4	3.5	3.7
<i>Administration spending⁴</i>	0.2	0.2	0.2	0.2	0.2
<i>Programme spending⁴</i>	0.9	1.3	1.2	1.2	0.9
<i>Capital spending</i>	1.7	1.5	2.0	2.2	2.7
<i>Spend on voluntary and community sector (%)⁵</i>	Data to be confirmed				
<i>Value of contracts to small and medium sized enterprises (%)⁵</i>	Data to be confirmed				

1. Detailed breakdown of these budgets will be published by April 2011
2. Excludes departmental Annually Managed Expenditure
3. Numbers may not sum due to rounding

4. Excludes depreciation
5. To be confirmed at the end of each financial year

Common areas of spend

The indicators below will help the public to judge whether the Department is being run efficiently, and can be compared across departments.

Indicators
Overall:
Cost of operating the department (including procurement, employment cost and property) over time and against projected cost
Number of employees, including breakdown by job type, seniority and their contract type (full time/part time)
Cost of corporate services (including human resources, finance, information and communications technology, communications, procurement) as a percentage of the cost of operating the department
On 3rd party spend:
Property cost per square metre and per employee
Cost of standard desktop computer per employee and number of electronic devices (laptops, desktops, mobile phones etc.) per employee
Value of major areas of spending (office products, travel etc.)
Number and value of major government projects and whether they will be delivered on time and to budget

E) Transparency

Greater transparency across government is at the heart of our commitment to enable the public to hold politicians and public bodies to account, to reduce the deficit and deliver better value for money in public spending.

This section will set out the information that will enable users of public services to choose between providers, and taxpayers to assess the efficiency and productivity of public services, holding them more effectively to account. By publishing a wide range of indicators, we will enable the public to make up their own minds about how departments are performing. We will use transparency to facilitate the choice and democratic accountability which will replace top-down targets and micromanagement.

All the data in this section will be made available free of charge, and we will regularly review whether our published data meets the needs of the public.

This section is published in draft until April 2011 to allow for further consultation.

Information strategy (p.1 of 2)

All work on transparency will be taken forward at Board level by Edmund Hosker, Director General for Corporate and Professional Services.

DECC is a transparent department, open to public scrutiny. We are complying with the Prime Minister's commitments on transparency, seeking to go further with our commitments where possible and monitoring progress against deadlines. Improving transparency can play an important part in helping the Department to achieve its objectives. Providing people with accurate information can help to change their behaviour, for example towards increased energy efficiency or investing in renewable forms of energy generation.

Smart Meters, for instance, will enable consumers to see exactly how much energy they are using. Better billing information will allow them to see how their energy use compares to others. We are providing detailed data here with data of annual electricity and gas consumption available for very small areas (400 homes) and exploring how we can maximise use of these data on bills. Improved transparency enables consumers to make informed choices about their energy consumption and encourages them to save money and energy.

The publication of the 2050 pathways analysis enables the public to explore different ways to meet our energy needs while reducing emissions. This will allow people to make an informed judgement about DECC's policy and investment choices. Since July, around 35,000 unique users have investigated over 405,000 options for 2050 pathways through a publicly available web-tool. We have discussed the analytical approach with over 300 stakeholders and are evaluating their responses. This winter, DECC plans to publish an updated version of the 2050 pathways calculator. This will be distributed widely to youth groups, schools and universities as well as political decision makers.

Information strategy (p.2 of 2)

The Department aims to ensure that its data is as accessible as possible. It publishes information through a wide range of avenues including the DECC website and data.gov.uk. We also look to explore potential synergies with other data sources to maximise the reach of our data. For example local area energy data are also available through the CLG Places website and ONS's Neighbourhood statistics.

DECC is creating a new national data set of domestic and non-domestic properties in England and Wales. Called NEED (National Energy Efficiency Data framework) it combines at property level data on annual electricity and gas consumption, housing type, installed energy efficiency measures, and socio-demographic indicators for around 4 million properties since 2004. NEED will be a key tool in supporting action on energy efficiency and reducing emissions through the Green Deal. First, as an analytical tool for Government, NEED should dramatically improve our understanding of what drives energy consumption, and improve the impact of policies and focussing of delivery, alongside aggregated data. We will look to share the data within NEED – at an appropriate level of aggregation to preserve anonymity –with communities, firms and households to support decision making at a local level and unlock barriers to behaviour change.

Over the Spending Review period, DECC will move further away from centralised service delivery and will drive change increasingly through the private sector. Wide ranging delivery mechanisms will make measuring impacts and value for money more challenging, but even more important.

DECC also works with its delivery partners to provide transparent information. For instance, we have recently completed work with the Energy Saving Trust to publish, for the first time, data on installation of insulation measures at local authority and Parliamentary Constituency level.

Input indicators

The indicators set out in this section are only a small subset of the data gathered by the Department which will be made transparently available as outlined in the Information Strategy.

The Department will adopt the following indicators to help the public scrutinise our inputs:

Input indicator	When will publication start?	How often will it be published?	How will this be broken down?
Renewable financial incentive cost per unit of renewable energy generated (measures in £/TWh; excluding transport levies)	Apr 2011	Annual	National
Leverage of UK international climate change finance (US\$ of international climate finance leveraged per US\$ of UK funding)	Apr 2011	Annual	N/A
Proportion of the Nuclear Decommissioning Authority's budget that is spent on decommissioning and cleaning up nuclear plants	Ongoing	Annual	N/A

Impact indicators

Our impact indicators are designed to help the public to judge whether our policies and reforms are having the effect they want. The Department will adopt the following indicators:

Impact indicator	When will publication start?	How often will it be published?	How will this be broken down?
The total number of energy efficiency installations (cavity wall and loft insulation) in UK households	Nov 2010	Quarterly	National
The number of households in 'fuel poverty' (subject to independent review of fuel poverty target and definition)	Ongoing	Annual	National
Percentage of energy consumed in the UK that has been generated from renewable sources	Ongoing	Annual	By source
The spare capacity of the UK's gas and electricity networks (difference between maximum possible supply and actual peak demand)	Ongoing	Annual	National
The impact of other countries' pledges to decrease their greenhouse gas emissions on predicted global emissions	Apr 2011	Quarterly	International
Total emissions of greenhouse gases from the UK (showing progress against legal limits on emissions (carbon budgets))	Ongoing	Annual	By emission type
Reduction in the Nuclear Liabilities Estimate through decommissioning and clean-up (in line with published Nuclear Decommissioning Authority business plans)	Ongoing	Quarterly	National

Other data (p.1 of 4)

We will publish a full range of datasets and our full departmental organogram on our website:

<http://www.decc.gov.uk/en/content/cms/statistics/statistics.aspx>

We have highlighted key data, which will be particularly useful to help people to judge the progress of structural reforms, and help people to make informed choices, under four headings:

- 1. Data which will help people to judge the progress of structural reforms**
 - Number of energy efficiency installations provided under the Green Deal
 - Number of smart meter installations in households
 - Number of coal-fired power stations equipped with CCS
 - Energy Trends (comprehensive picture of energy production including renewables, microgeneration installations, low carbon energy and use)
 - Funds invested by the Green Investment Bank (published by BIS)
- 2. Data which will help people make informed choices**
 - Average energy bill prices and unit costs by area, and work with suppliers to promote greater transparency on bills
- 3. Other key data**
 - All DECC contracts and spending over £25,000
 - Number of newly registered Ultra Low Emission Vehicles (published by DfT)
 - Digest of UK Energy Statistics (detailed and comprehensive picture of fuel production including renewables and consumption during the last three years)
 - Quarterly energy prices (energy prices to domestic and industrial consumers for all the major fuels, including comparisons across EU and G7)

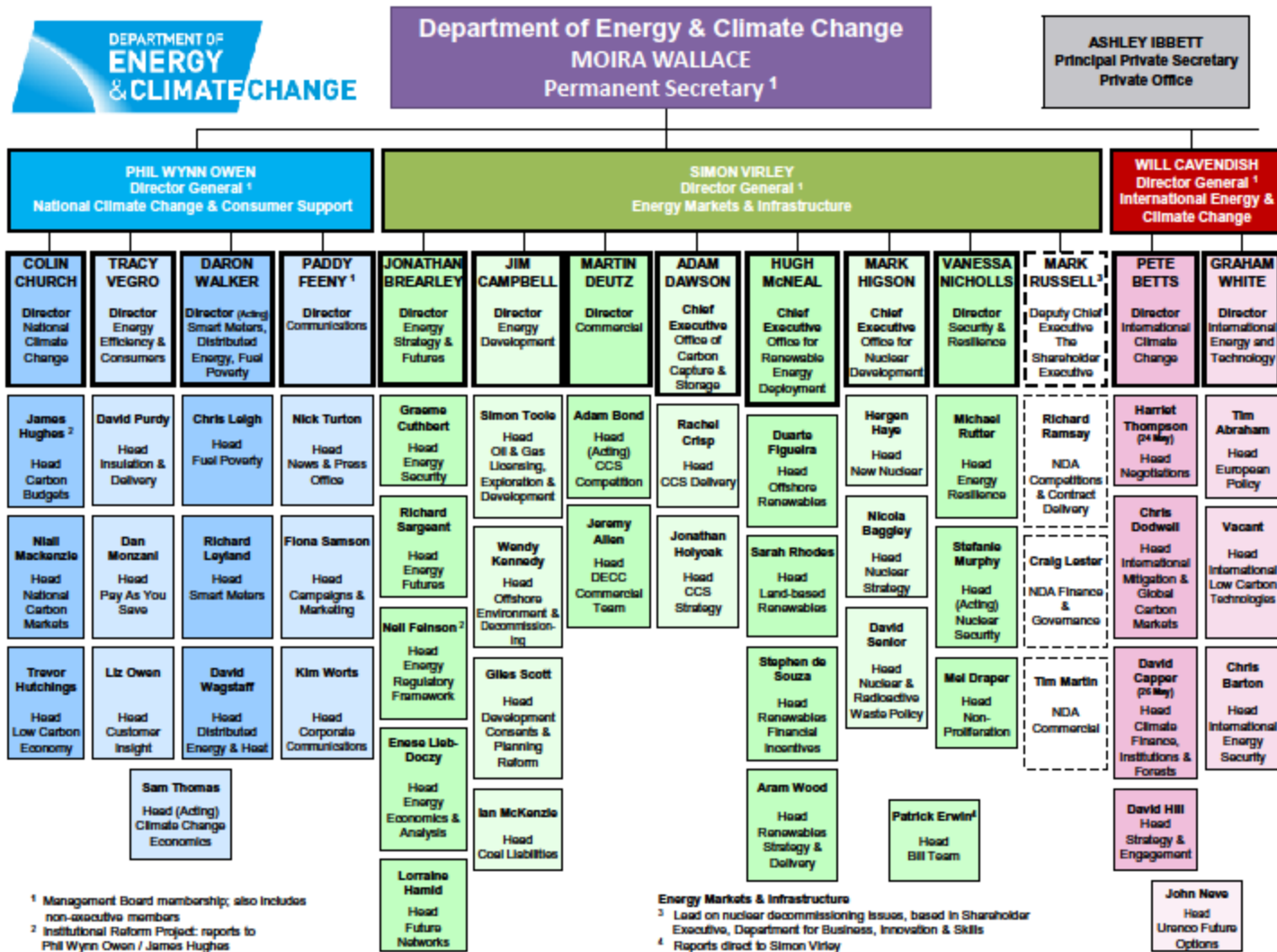
Other data (p.2 of 4)

3. Other key data (continued)

- UK Energy Sector indicators (over 100 charts containing energy use, energy supply, fuel poverty, competition in energy markets, standards of service and the environment)
- Energy Consumption in the UK (includes analysis of the factors driving the changes in energy consumption, the impact of increasing activity, increased efficiency, and structural change in the economy)
- UK Energy in Brief (summarising the latest statistics on energy production, consumption and prices in the UK)
- Fuel Poverty (the latest statistics on fuel poverty, with trends and analysis)
- Energy Trends (comprehensive picture of energy production including renewables, low carbon energy and use)
- UK Greenhouse Gas Inventory (data covering UK greenhouse gas emissions broken down by source and end-user sectors, and by fuel type)
- UK Energy and emissions projections (UEP)

Other data (p.3 of 4)

4. Organogram



Other data (p.4 of 4)

4. Organogram (continued)

