

Malcom Wicks, Minister for Energy Baxi Micro CHP Launch – 5th March 2008

The Government's Energy strategy, which we set out in the Energy White Paper last year, is designed to achieve two objectives —first, to ensure that the UK has access to secure energy supplies and, secondly and together with other countries, to tackle the global challenge of climate change.

We are firmly committed to tackling these challenges by examining how we can support renewables, but also by looking at other measures, such as energy efficiency, the decision on new nuclear, and the cleaner use of fossil fuels.

In Spring 2007, the UK played a key role in securing agreement among the European Heads of Government to source 20% of Europe's energy from renewables by 2020. We are fully committed to meeting our share of this target, which as you'll know is likely to be around 15% for the UK.

This does present an enormous challenge for us, so we are already thoroughly reviewing our strategy and will

launch a public consultation on this in the summer. We know that what industry needs above all is clear information and certainty about the medium and long-term framework that Government sets. Only then can companies invest with confidence – and we are therefore also looking beyond 2020 up to what we will need to achieve as far away as 2050.

The scale of the climate change challenge is such that it requires action on every level – not only from governments, but also from businesses and from all of us as individuals.

This is why we are always pleased to see businesses coming forward with innovative ideas. I commend Baxi for rising to this challenge and to all those who worked to bring this about.

Today we are seeing a great example of new microgeneration technology, of how people can not only save energy, but also generate their own energy in their own home or premises. Renewables and Combined Heat and Power can play an important role in reducing our carbon emissions, both on a large scale and on this microgeneration level. The results of the Carbon

Trust's interim field trial confirmed that Micro-CHP can contribute to carbon savings of up to 10% in domestic applications and up to 20% in commercial applications.

I'd just like to say a little about what the Government is doing to support microgeneration and CHP technologies.

We support CHP through its exemption from the Climate Change Levy on fuel inputs to Good Quality CHP, through its exemption from Business Rates for Good Quality CHP plant and machinery and by securing a reduced rate of VAT on all domestic micro-CHP appliances.

The Energy White Paper last year confirmed that we see potential advantages from greater use of distributed energy. So we are committed to levelling the playing field for distributed energy - and indeed we are currently consulting jointly with Ofgem on making electricity regulatory and market arrangements "fit for purpose" for distributed energy, where CHP could play an important role.

And specifically on microgeneration, we published our strategy in March 2006, and have a range of measures in place to encourage take-up.

We have recently made the very ambitious commitment to tighten energy efficiency building regulations - a 25% improvement in the energy / carbon performance set in buildings regulations in 2010, moving to 44% in 2013 - up to the zero carbon target in 2016. We have had a very positive response to this. People can really relate to the idea of living in an environmentally friendly home where they generate their own heating and electricity. Making sure that these new homes are built to zero carbon standards will deliver significant carbon savings.

However, most of the housing standing now will still be around long into the future, including many millions of hard-to-insulate pre-1930s houses. We will need to reduce the emissions from those houses if we are going to reach long-term targets. Here, we are likely to need a mix of insulation, renewables and low-carbon heating options such as CHP. The Carbon Trust trials have shown that Micro-CHP could potentially be an effective retrofit solution for larger and older homes.

The new Microgeneration Certification Scheme is now open for both product and installer certification and it has already attracted applications from over 400 installers. This scheme evaluates products and installers against robust criteria for each microgeneration technology, providing greater protection for consumers – and it also covers the likely performance of the technologies and a Consumer Code of Practice. This will allow people to make decisions on which technologies are appropriate to them with confidence.

Current technologies under the scheme are heat pumps, micro wind turbines, non roof-integrated PV and solar thermal products – we expect other technologies including Micro CHP to be integrated later.

Through this, we aim to help build a rapidly growing microgeneration industry based on quality and reliability, which will make a substantial contribution to cutting the UK's dependency on fossil fuels and its carbon dioxide emissions.

We support the Planning Policy Statement on Climate Change published by CLG last year, which will ensure

that more local authorities put the need for distributed, renewable or low-carbon energy at the forefront of their thinking for new developments building. Currently just over 10% of electricity generation and around 10% of the heat market is decentralised, but there is an opportunity for growth in the use of distributed energy in community settings, particularly for CHP. Micro-CHP systems could potentially provide base-load heating or hot water for multiple new homes.

Finally, we have to be aware that almost half of all UK's CO2 emissions arise from the use of heat. So this is an area we are taking extremely seriously. Within the Energy White Paper we agreed to *“conduct further work into the policy options available to reduce the carbon impact of heat”*, so in January we launched a Call for Evidence on renewable and low carbon heat technologies. This will help us better understand the opportunities and prospects for de-carbonising heat, and identify how we can tackle the barriers that prevent its growth.

The Renewable Energy Strategy will be a large challenge for us and we will of course need to work

closely with stakeholders during our public consultation this summer.

We look forward to studying the responses from our consultations and encourage input from all of you here, from all those involved in the industry, so that we can work together to tackle the global challenge of climate change.