

John Allen Paulos learnt the hard way –  
 that being smart doesn't make you rich

Wednesday Aug 4 2004. All times are London time.

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## Combined heat and power plant targets likely to be missed

By Andrew Taylor, Utilities Correspondent

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Plans to double the capacity of energy-efficient combined heat and power plants, an important element of the government's climate change policy, looks like being missed by a large margin based on latest official figures.

The findings are potentially embarrassing for Tony Blair, who has identified tackling climate change as a priority of his presidency of the G8 countries next year.

Figures published by the Department of Trade and Industry have revealed that 35 more CHP schemes were closed last year than were opened while the total capacity of the industry remained stalled at 4,879MW - "still below its year 2000 target of 5,000MW", said David Green, director of the Combined Heat and Power Association.

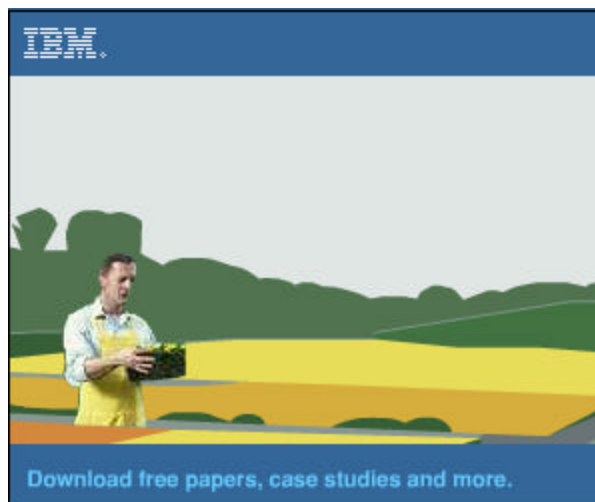
Climate change targets require CHP capacity to double to 10,000MW by 2010, enough to power more than 8m homes. CHP plants use waste heat, produced during generation, to power industrial processes such as oil refining, chemical plants and food processing and also for heating buildings. They are 30 per cent more energy efficient than conventional power stations.

Development of CHP schemes, however, has ground to a halt since the late 1990s, following a sharp fall in electricity wholesale prices due to generation over-capacity and the introduction of new competitive electricity trading arrangements. CHP developments had continued to struggle even though prices had recovered more recently, said Mr Green.

Government figures show that CHP capacity doubled in the decade to 2000, representing an average annual growth rate of 8 per cent but "difficult market conditions slowed this growth rate from 2001".

Some operators "in the current market conditions" had also "chosen to mothball their CHP schemes rather than continue to operate," said the department. Some 64 schemes were mothballed at the end of last year.

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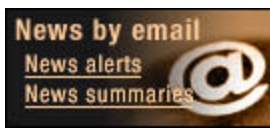
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Mr Green said the government needed to do more to encourage CHP developers if it wanted to meet its targets. Doubling of CHP output would reduce carbon emissions by up to 7m tonnes a year by the end of the decade - two or three times the amount expected from renewable energy schemes, such as wind farms, he said.

CHP operators want electricity trading rules to be simplified to reduce heavy financial penalties for producing less power than expected. They are also seeking further concessions on business rates and on carbon emissions trading rules due to be introduced next year.

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