

Embargo: 14:00 hrs Thursday 19 October 2000

TOWARDS KYOTO – WILL THE CHP TARGET BE ACHIEVED?

In the wake of further evidence that unless the Government takes action to stimulate the use of CHP, significant carbon saving opportunities will be lost, the CHPA is today (Thursday) launching a national consultation programme on a UK strategy to boost the take up of high efficiency Combined Heat and Power systems.

Commenting, David Green, Director of the Combined Heat and Power Association states:

“ We are on the verge of the next round of the climate change negotiations. Yet, despite many fine words about CHP, we still do not have a clear strategy for achieving the major contribution needed from CHP towards the domestic CO₂ reduction of 20% for 2010.

“ We have a series of half way houses, none of which deliver the sustained support that is needed to get us to the Government’s target of at least 10 GWe of CHP by 2010 - the essential underpinning to putting more renewable sources of energy into the market.

“ Today the CHPA is taking the unusual step of launching a consultation paper about what should be the Government’s strategy for CHP. We hope that in doing so, it will ensure that when John Prescott arrives in The Hague next month for the Climate Change Convention there is no longer a wish list where a UK CHP strategy should be. The UK cannot afford to have such a hole at the heart of its negotiating position”.

According to a special market survey (also released today) at least a third of the CHP capacity the Government has approved over the last three years will not be built due to current market conditions.

ENDS

Notes to Editors

1. A summary of the proposals contained in the “**UK CHP STRATEGY CONSULTATION PAPER**” published today (Thursday) by the CHPA is attached.
2. A copy of the results of the CHPA’s market survey of consented CHP plant is available on request from the CHPA office.
3. CHP is the simultaneous generation of power and useful heat in a single efficient (typically 70 per cent and above) process which secures environmental benefits and thereby contributes to sustainability.
4. CHP currently operates on 1,400 sites across the UK with a total installed capacity of some 4,000MWe, supplying 15% of the UK’s total industrial energy use.
5. Recognising CHP as *“a key element of the climate change strategy for business, domestic and public sectors”*, (page 61. Draft. UK Climate Change Strategy) the Government have established a target of 10,000MWe of installed CHP capacity by 2010, but have acknowledged a cost-effective potential of 17,000MWe exists over the same time period.
6. Achievement of the 2010 CHP target would help reduce UK carbon emissions by a further 6MtC (million tonnes of carbon) - one fifth of the Government's 20% CO₂ reduction target.

For further information on the subject of this release, please contact:

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18 October 2000

Highlights of the Consultation Paper

The Consultation Paper highlights the need for a '**2020 Vision for CHP**' and suggests that CHP has the potential to provide 19,000-29,000 MW of capacity over this period, saving up to 13 million tonnes of carbon (a fifth of the Government's current 20% carbon reduction). The Table below summarises this potential.

CHP application	Potential (MWe)	CO ₂ reduction (MtC)
Commercial /industrial	10,000 to 17,000	4 to 8.7
Community heating	2,000	1.3
New technology	7,000 to 10,000	2.3 to 3.3 ¹
Total	19,000 to 29,000	7.6 to 13.3

Among the policy proposals discussed in the Consultation Paper are the following:

- Full Climate Change Levy (CCL) exemption for CHP. This is in contrast to the partial exemption given to date;
- Negotiated Agreements. There is evidence that efficiency targets have been set too weakly and further incentives are required to ensure that a reasonable quantity of CHP investment will come from Negotiated Agreements;
- Alternative electricity industry regulatory mechanisms, for example performance regulation, which could be employed to effect the changes necessary to allow more distributed generation such as CHP and renewables;
- Early implementation of recommendations from the OFGEM Embedded Generation Working Group to facilitate the increase in embedded generation options such as domestic CHP;
- Introduce a range of active measures to develop CHP with community heating;
- The potential use of a possible mechanism to achieve additional CHP capacity such as the inclusion of 'shadow carbon pricing' in all power station approval appraisals;
- Recognise and stimulate the development of appropriate heat loads and ensure that new developers of power plants liaise effectively with local

¹ Estimate: typical micro CHP has lower utilisation and lower fuel to electricity efficiency than others

authorities and others to identify such potential for the local of new, smaller, power plant.