

For immediate use
Friday 31 August 2001

NETA IS DAMAGING GREEN GENERATORS

The Government will fail to achieve its targets for CHP and renewables unless it takes action to counter the impact of NETA, according to today's report to Energy Minister Brian Wilson from OFGEM Chief Executive Callum McCarthy.

According to OFGEM's report:

- Power exports from small generators have fallen by 44%;
- Costs have increased by 16%;
- Power export prices are likely to fall further as the impact of NETA is felt more widely across the market.

The 44% drop in exports is indicative of the collapse in export prices and suggests a massive decline in the profitability of sustainable generators.

For combined heat and power (CHP) generators, power exports have fallen by over 60% - costing the Government over 3 million tonnes of CO₂ savings across the year.

OFGEM have also confirmed that their much promoted option of 'consolidation', whereby small generators work with intermediaries to trade their output, shows no signs of actually happening.

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

"OFGEM have now admitted that they have failed to deliver the encouragement for CHP and renewables that Ministers asked them to secure in the reorganisation of the electricity market.

"Not surprisingly, OFGEM has passed the buck to the Government – and the challenge is now to ensure that the Government does put in place all the measures needed to secure its targets for CHP and renewables.

"We are meeting Ministers shortly to see what can be done".

Nick Goodall, Chairman of the Confederation of Renewable Energy Associations (CREA), also commented:

"Ofgem have today verified long-held concerns that NETA is incompatible with the UK renewables and CHP targets and is also contrary to the widely expected outcome of the Government's Energy Review that the use of renewables will increase well beyond the 10 per cent target in the longer term.

"The NETA process is damaging existing renewable energy projects and sending out the wrong signals to industry increasingly investing in future sustainable energy."

{ENDS}

NOTES FOR EDITORS

1. The Government has a target to double UK use of CHP to 10 GWe by 2010, and to achieve 10% of electricity from renewables also by 2010.
2. The Government has a target to reduce levels of carbon emissions by 20% of 1990 levels by 2010. In 2000, before NETA went live, CHP produced CO₂ savings of approximately 16 million tonnes. Reduced power exports from CHP will cut this to 13 million tonnes.
3. The CHPA is urging the Government to:
 - Remedy the negative impact of NETA on CHP and renewables by ensuring the new market delivers the encouragement for CHP and renewables that Ministers have asked for;
 - Provide the FULL exemption from the Climate Change Levy (CCL) that the Chancellor has outlined rather than the current partial exemption that Customs and Excise have delivered.
 - Exempt CHP from the funding of the renewables obligation, which will otherwise cost CHP companies well over £100 million per annum – despite CHP's widely acknowledged green benefits.
 - Use the powers the Government took in the 2000 Utilities Act and set a CHP Obligation, which would contribute to the stable base that CHP needs in order to liberate some £4 billion of new investment.

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