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The Committee on Climate Change – Call for Evidence
7 Holbein Place
London SW1W 8NR

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Dear Team

BUILDING A ZERO CARBON ECONOMY – CALL FOR EVIDENCE

We welcome the opportunity to respond to this Consultation from the Committee on Climate Change ('CCC').

ScottishPower is a major UK energy company with generation, retail supply and network interests; we are a leading developer of wind power in the UK, and part of the Iberdrola Group, the world's leading renewables developer. Iberdrola is a global leader in tackling climate change, with a commitment to reaching carbon neutrality by 2050.

We welcome the commitment of the governments of the UK, Scotland and Wales to taking advice from the CCC on achieving a transition to a net zero-carbon economy. We fully support the commitment to decarbonisation in the UK consistent with the legally binding framework under the Climate Change Act 2008, and we agree that it is appropriate to consider the long-term target under this legislation and the scope for higher ambition as a contribution towards global ambition under the Paris Agreement.

The CCC's advice on long-term targets for greenhouse gas emissions, and the UK's transition to a net zero-carbon economy, will play a vital role in the decision-making of the governments of the UK, Scotland and Wales, ensuring that the benefits and costs of the various decarbonisation trajectories are rigorously considered, as well as advising on the actions needed in the near term that would be consistent with achieving long-term targets.

We would highlight that a central part of the UK's cost-effective transition towards a net zero-carbon economy must be delivering further near term progress towards power sector decarbonisation. In this context, renewable generation (such as offshore and onshore wind) should play a key part in building the backbone of a future clean energy system.

We consider that the Electricity Market Reform (EMR) framework, based on competitive auctioning of Contracts for Difference (CfD) and Capacity Market auctions, is fundamentally the right one to drive investment in low carbon generation whilst maintaining security of supply cost-effectively. The competitive auctioning of CfDs for renewables has been key to driving cost reductions and delivering low cost, low carbon electricity generation for the benefit of consumers. The outcome of the second CfD auction in September 2017, with clearing prices for offshore wind projects around 50% lower than in the previous auction, clearly demonstrates the benefits of this approach.

The Government's commitment to making progress towards running the next Pot 2 CfD auction for offshore wind and other 'less established' renewable technologies by May 2019, and to running subsequent auctions around every two years, is helping to provide vital forward visibility. This is critical to sustaining investor confidence and driving long-term investment that can support the development of a strong UK supply chain.

However, in terms of making cost-effective progress with power sector decarbonisation, it is also crucial to provide a clear route to market through CfD auctioning for 'established' renewable technologies such as suitably located onshore wind projects. This is highlighted by the recent report from BVG Associates, "The Power of Onshore Wind", analysing the economic benefits of a series of CfD auctions promoting the deployment of suitably located onshore wind projects in Scotland.[1]

To progress towards a net zero-carbon target in the most cost effective way, we strongly consider that the UK Government should continue with Pot 1 CfD auctioning for 'established' renewable technologies such as onshore wind, as indeed the CCC recommended in its 2018 Progress Report to the Westminster Parliament.

Reliable and cost-effective transmission and distribution networks are also vital to progressing with power sector decarbonisation, whilst maintaining security of supply at lowest cost. To deliver upon the scale of future investment in networks that will be needed, it will be essential to maintain a stable regulatory framework, minimising risk and uncertainty.

Moreover, the progressive decarbonisation of the power sector will complement steps towards driving the uptake of electric vehicles and transitioning towards a low carbon economy based on zero emission vehicles. In this context, we would note that the UK electricity network will, over time, require significant upgrading to deal with a rapid uptake of electric vehicles.

In addition, we would note that improving the energy efficiency of homes across the country must be at the heart of a successful low carbon transition. Obligated energy companies under supplier obligation schemes such as the Energy Company Obligation (ECO) have successfully delivered energy efficiency measures to UK households for many years, significantly improving the existing housing stock. In this context, we would note that the current ECO3 scheme is rightly focussed on low income households in or at risk of fuel poverty. Looking ahead, we consider that there needs to be a greater focus on promoting a genuine market for energy efficiency measures in the able-to-pay sector, as well as consideration of any future support for low income households being funded through public spending (thereby avoiding the regressive impact of funding such schemes through consumer bills).

We share these high level observations by way of this letter, leaving others (who will be better placed) to respond to the specific questions in the Call for Evidence document. If you would like to discuss any aspect of our response, please do not hesitate to contact me.

Yours sincerely

Tom Restrick
Head of Public Policy

[1] https://bvgassociates.com/the-power-of-onshore-wind/