

REF

RENEWABLE ENERGY FOUNDATION

PRESS RELEASE

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UK'S FUTURE FOR ELECTRICITY IS DARK, DIRTY AND COSTLY

The UK's future for electricity is going to be "dark, dirty and costly", this is according to the bleak forecast that the Renewable Energy Foundation (REF) issued today. The next decade is likely to be a period of intensifying difficulties in the UK electricity generation sector, with very tight capacity margins, and extreme dependence on imported gas, supplies of which will be constrained and prices high.

Their text, "**Electricity Prices in the United Kingdom: Fundamental Drivers and Probable Trends 2008-2020**" was launched last night at seminar hosted by Clifford Chance, and attended by group of leading analysts and decision makers in Energy, Law and Industry.

REF notes that:

- Government has greatly underestimated the impact of the EU Large Combustion Plant Directive (they only expect 20 GW of generating plant to close by 2020). **Major generating companies expect more than 30 GW to close by 2015 (Approximately 40% of all generators in the UK and equivalent to over 50% of the peak load.)** REF's own analysis confirms this pessimistic forecast.
- REF's analysis also shows that both National Grid and Government attribute too much capacity credit to the likely wind portfolio, with the result that **the margin of generation over demand is likely to be very tight in the next decade**, unless obsolete and illegal coal plant is brought back into use which would have a disastrous effect on emissions of sulphur dioxide, nitrogen oxides, and carbon dioxide.
- Furthermore, due to distortions in the electricity market, including the excessive and poorly designed subsidies for renewables, **investors are likely to build only gas plant, even though international competition for this fuel will be intense and prices very high and volatile.**
- **The unexpected consequences of a flawed renewables policy have been an overdependence on one conventional generation type** (which exposes the UK to significant risk) **and the stunting of innovation in the alternative energy sector.**
- Finally, **it is only by reversing the trend towards heavy and counterproductive intervention that market action can respond effectively to these difficulties.**

- **Government needs to refocus their priorities on social policies to prevent hardship and maintain order in the face of very high prices, and possible interruptions of supply.**

Campbell Dunford, the Foundation's CEO, said:

"A combination of governmental indecision, negligence, and incredibly clumsy intervention have damaged the UK's electricity supply industry, exposing us all to grave risk, but of course creating opportunities for private enterprises willing to attempt solutions. This paper is a contribution to understanding that opportunity, and also a plea to government to get out of the way and allow market action to respond as effectively as may be to the onset of crisis."

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For further information please contact Margareta Stanley on 020 7930 3636 or 07968 049 832, email press@ref.org.uk or visit our website www.ref.org.uk

Notes for Editors:

1. REF is an independent UK registered charity publishing performance data on all 900+ renewable generators in the United Kingdom. It is supported by private donations, and has no corporate members or political affiliation.

2. Study authors: The study has been prepared by the Telford Gold Medal winning analyst, Hugh Sharman, in collaboration with REF's Director of Policy and Research, Dr John Constable.