

REF

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Press Release

Climate Change Committee Confirms Multi-Billion Pound Green Policy Costs

Renewable Energy Foundation (REF)[1] today issued the following interim statement on the Climate Change Committee's study, *Household Energy Bills: Impacts of Meeting Carbon Budgets*. [2]

The Climate Change Committee (CCC) believes that green policies will put about £100 a year on the average domestic electricity bill in 2020 (p. 5), which is equivalent to about £2.6 billion (assuming that there are about 26m households in 2020, as there are today).

Since domestic electricity consumption is about one third of the economy's overall electricity consumption the CCC is implying a green electricity policy cost of about £7.5bn a year in 2020. This is consistent with REF's recent estimate of the Renewables Obligation subsidy cost in that year, as described in our book *Energy Policy and Consumer Hardship* (2011). [3]

These ballpark figures are confirmed by the CCC's estimate that the green electricity policies will put 2.2p/kWh on the price of electricity in 2020 (p. 16), which is equivalent to about £7bn a year, assuming, conservatively, that consumption remains at current levels.

REF notes that while roughly two thirds (£5bn) of the 2020 policy costs will be paid by industrial, commercial, and public sector consumers this burden affects households indirectly via the cost of living and taxation to support public services. The CCC does not discuss this impact, which is in our view a very serious omission.

Furthermore, the CCC estimates of costs do not adequately take into account transmission upgrades and system operation costs imposed by the current targets for green electricity. Using recent work by Colin Gibson, former Power Networks Director at National Grid, REF estimates this cost at about £5bn a year in 2020.

The CCC also fails to note that VAT is charged on the green costs, and should be seen as part of those costs. We estimate the VAT charged on the green electricity policies in 2020 at about £2bn a year.

Dr John Constable, director of Renewable Energy Foundation said: "The Climate Change Committee has done its best to spin its study as reassuring, but in fact the findings and analysis only serve to confirm grave concerns about extremely high green policy costs in 2020."

Dr Constable continued:

"The Climate Change Committee's ballpark estimates are consistent with REF's view that green electricity will cost around £8bn a year in subsidy in 2020. When £5bn of grid expansion and system management and £2bn of VAT are added this comes to about £15bn a year, or 1% of current GDP. This cost is insupportable and unsustainable, and is of course only part of the total cost impact of climate change policies."

For further information please contact: 020 7930 3636, or exec@ref.org.uk.

Notes for Editors

1. The Renewable Energy Foundation is a registered charity (1107360) promoting sustainable development for the benefit of the public by means of energy conservation and the use of renewable energy. REF is supported by private donation and has no political affiliation or corporate membership. For more information see: www.ref.org.uk
2. The CCC's study is available at [http://downloads.theccc.org.uk/s3.amazonaws.com/Household%20Energy%20Bills/CCC Energy%20Note%20Bill bookmarked 1.pdf](http://downloads.theccc.org.uk/s3.amazonaws.com/Household%20Energy%20Bills/CCC%20Energy%20Note%20Bill%20bookmarked%201.pdf)
3. Available from: <http://www.ref.org.uk/press-releases/243-climate-change-policies-put-fuel-poor-in-jeopardy>.