European Cogeneration Review - United Kingdom

November 2012

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1 Executive Summary

The present priorities of energy policy in the United Kingdom include cutting carbon emissions and ensuring a secure and sustainable energy supply at the least cost possible. The Department for Energy and Climate Change has so far introduced a number of measures and instruments to achieve the country’s ambitious long-term decarbonisation goal (80% GHG reduction by 2050) while fostering competition in the energy markets. Energy efficiency is considered as one of the most cost-effective and readily available sources of energy security and decarbonisation, as outlined in the UK Department of Energy and Climate Change recent strategic document “The Energy Efficiency Opportunity in the UK”\(^1\).

Since its 2007 Energy White Paper, the UK Government has highlighted the need to promote low-carbon power and heat. Many pieces of legislation have been proposed and implemented, sometimes conflicting with one another and certainly leading to a very complex legislative environment.

Despite the UK government’s continuous high level commitment to support cogeneration, the level of installed CHP capacity has stayed flat over the past five years. The combined impacts of a liberalised energy market, over-capacity in generation and an unfavourable spark spread, have contributed to a sluggish CHP market over the past few years. Government action in the wider energy and climate arena has contributed significant policy uncertainty to the mix. Nevertheless, some hints of recovery can be observed, as several policy developments show real promise to drive further growth in the sector. Notably, the introduction of the Renewable Heat Incentive is expected to increase the use of cogeneration and renewable fuels. Also noteworthy is the expected growth in the CHP market segment below 10 MWe.

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