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## Energy - review of the balance of competences

The National Farmers' Union of England and Wales (NFU) represents 47,000 farm businesses throughout England and Wales. In addition we have about 40,000 countryside members with an interest in farming and the countryside. The NFU has responded to a number of previous calls for evidence on the Balance of Competences, and these can be viewed [here](#).

With 75 per cent of national land area in the agricultural sector, NFU members are well-placed to capture renewable natural energy flows and help to mitigate climate change, contributing to both energy security and food security as well as the delivery of other environmental and land management services.

The NFU believes that domestic land-based renewable energy can deliver up to a quarter of UK clean energy needs by 2020, faster and cheaper than many other low-carbon energy options. This message is consistent with our vision for farming delivering a wide variety of goods and services to the UK economy, centred upon but not limited to food production.

The NFU is engaged with DECC, Defra, DfT and other government departments and advisers in directing climate change and renewable energy policy into real economic opportunities for rural diversification and job creation. Agriculture and horticulture can help to mitigate climate change, while contributing to both energy security and food security. The NFU works closely with other trade associations and non-government organisations with an interest in renewable energy, including the Renewable Energy Association (of which we are associate members), the Solar Trade Association, RenewableUK (representing the wind power industry) and the Anaerobic Digestion and Biogas Association.

Deployment of renewable energy goes way beyond just managing UK carbon emissions - the land-based sector, in particular, will contribute to domestic supply chain development for a wide range of renewable energy technologies, supporting rural diversification and job creation, and will also help with environmentally-sound management and utilisation of organic wastes, co-products and nutrients (manures, crop discards, agricultural residues, food processing and packing waste). The NFU is especially supportive of farmer-owned small and medium scale renewables projects, particularly those schemes which help farmers to achieve local environmental objectives (e.g. resource protection, biodiversity).

Like other trade associations, the NFU recognises that over the past 25 years the UK has led the EU agenda on liberalisation of energy markets. However, the UK has also become a net energy importer within the past decade, and is increasingly subject to the same energy insecurity as many other Member States. The UK government should be satisfied with the overall balance of competence between the UK and the EU with regard to renewable energy policy and wider energy policy.

The NFU agrees with other UK trade bodies, as well as a number of European bodies, in supporting the adoption of a legally binding 2030 target for renewable energy in the EU. Following earlier non-binding directives on renewable electricity and fuels (2001, 2003), the legally binding Renewable Energy Directive (2009/28/EC) has proved to be a success story for 'green growth' in the UK and across Europe, with the emergence of robust supply chains for manufacture, project development and deployment of a wide range of renewable energy technologies: its replication for 2030 is increasingly supported from many quarters.

## Consultation questions

The NFU would like to submit responses to selected questions posed in this Consultation, in addition to the comments made above on the wider policy context.

### GENERAL

#### **1. To what extent does EU action in the energy field benefit and / or disadvantage the UK / your sector/stakeholders? Is there a sector where this is most marked?**

The EU Renewable Energy Directive has clearly benefited British farmers through its translation into UK policy. Setting challenging targets for renewable energy across Europe has created opportunities for UK players to benefit from specific technologies developed and deployed in other Member States, and the latest estimate is that 38% of all farmers are engaged in some kind of renewable energy production and use.

#### **2. Do you think that the EU has introduced legislation that is proportionate / disproportionate to the issue it aims to address?**

It is our view that EU renewable energy legislation is not only proportionate but also very timely. Introduced on an effort-sharing basis across Member States according to their respective starting points and available resources, it is providing all Member States with a long-term target that engenders long-term stability in energy policy. National renewable energy action plans demonstrate how these targets will be delivered, subject to biennial reporting against these plans. This certainty has most probably lowered the cost of capital investment in renewables in all Member States, delivering a reduction in the overall cost of an inevitable transition to a low-carbon economy.

#### **3. In what areas might the UK's interests be served better if action were to be taken at: a. EU level instead of national, regional or international level? b. national, regional or international level instead of EU level?**

- (a) at EU level, setting of a comprehensive and coherent "climate package" for 2030, including binding targets for greenhouse gas emissions reduction, renewable energy and energy efficiency.
- (b) at national level, determining the optimum balance of the various renewable energy technologies across power generation, heating and transport, and the corresponding role of other low-carbon energy technologies in each of these sectors.

#### **4. How could the EU's current competence for energy be used more effectively? For example, could more be done during the development stage of proposals and the preparation of impact assessments? Are there alternatives to legislation and how feasible / practical is it to have continuous review mechanisms to ensure existing legislation remains fit for purpose in the light of changing circumstances?**

EU competence in energy would be more effective if it avoided conflicting policy measures (within the energy sector or elsewhere) which damage the policy certainty it provides otherwise. For example, the European Commission's proposals on limiting the use of first-generation biofuels threaten to slow investment that would lead to the development of next-generation advanced biofuels. EU criticism of the UK's setting of reduced-rate VAT on insulation and other energy saving products, and the anti-dumping tariffs levied on Chinese solar PV equipment, are further examples of European legislation which acts against the interest of British farmers investing in low-carbon energy. Notwithstanding these departures from effective policy making, the overall balance of competence is about right, and should be maintained.

## THEMATIC AREAS

### ***7. What effect have EU measures had on the development and exploitation of the UK's indigenous energy sources? Are further measures needed in regard to exploitation of unconventional sources, for example shale gas?***

Exploitation of the UK's indigenous renewable resources has been greatly assisted by EU measures. The NFU sees only limited opportunities for farmers and landowners to benefit from the exploitation of shale gas (since mineral rights remain with the Crown), and does not believe that additional measures are required to support unconventional fossil fuel production, which is already being promoted by a range of national government policy instruments.

### ***8. How have measures and policies at an EU level helped or hindered the development and deployment of sustainability measures - energy efficiency, renewable and low carbon energy? What have been the impacts of these measures on other forms of energy generation and the internal market? Should the EU be doing more or less?***

As one part of the 2020 EU climate package, the Renewable Energy Directive has worked alongside targets for greenhouse gas reduction and energy efficiency, with any improvements in energy efficiency making it easier to achieve the renewables targets. Common standards have been set for bioenergy sustainability and heat pump performance, while leaving the details of their implementation to Member States. It is important to capture the same simplicity, coherence and clarity of ambition in designing policies for 2030, most likely by the EU maintaining headline targets for the same three subjects; greenhouse gas emissions reduction, renewable energy and energy efficiency.

### ***9. To what extent might it be beneficial or disadvantageous for the EU to take on more initiatives and to exercise greater external competence in the field of energy, for example in negotiating international agreements and representing an EU view (speaking with one voice) in international meetings rather than Member States representing themselves?***

The NFU agrees with other trade associations that energy policy is inextricably linked to climate policy. The EU has played a leading role in international climate talks, following the lead taken by the UK in unilaterally setting stretching greenhouse gas reduction targets. This suggests that the balance of competences here is about right, but there needs to be alignment between the EU negotiating position on greenhouse gas emissions reduction (40% or 50% by 2030) and its setting of a 2030 renewable energy goal (at least 30%).

## FUTURE CHALLENGES AND OPPORTUNITIES

### ***11. What implications will future challenges in the energy field have for the UK and EU, for example the effects of increasing global demand for energy, potentially rising global market prices and the transition to a low carbon economy to meet climate change objectives?***

The NFU believes it is inevitable that the price of energy will rise, but that business input costs can be managed through a combination of more energy efficient farm production technologies and an increasing degree of energy self-sufficiency from a variety of renewables, both of which are consistent with a low-carbon economic transition. We anticipate continued growth in the contribution of land-based renewables to national energy supply. As has been recognised recently by DECC, increased interconnection of electricity grids between EU Member States (also EEA countries), possibly in the form of an HVDC 'supergrid', will improve efficiency of grid operation and enable high penetration of renewables across a wider geographical area. This is a key area for the exercise of EU competence.

### ***12. What would be the costs and benefits of facing these at an international, EU, or national level?***

While there may be short-term imbalances in energy costs compared with our competitors (which may be best addressed by concerted EU and international action), the long-term benefits of the expected low-carbon transition are a much greater degree of energy independence and energy security, as well as a more stable worldwide environment and economy. Maintaining the present balance of competence between the UK, EU and international agreements will be critically important in moving towards these goals.