SPEECH (revised)

Thank you for inviting me to this conference to outline the Government's strategy for creating demand for biomass energy from non-food crops. You have just heard Ben speak of the work he is doing with colleagues in the Taskforce and we are eagerly awaiting his recommendations. Climate change is a key issue for the Government and biomass energy has a fundamental role to play in helping to reduce our carbon dioxide emissions.

Under the Kyoto Protocol, we aim to deliver 12.5% reductions in greenhouse gas emissions by 2008-2012 compared to 1990 levels. We have a domestic aim to reduce carbon dioxide emissions by 20% below 1990 levels by 2010. In addition, the Energy White Paper in 2003 set out our long term goal to reduce the UK's carbon dioxide emissions by some 60% by about 2050, with significant progress by 2020.

We are on course to achieve our Kyoto target but we need to do more to get back on track to meet our domestic targets.

Renewable energy has an important part to play in meeting our targets. We are aiming to achieve 10% of the UK's electricity through renewable sources by 2010. This would save about 2.5 million tonnes of carbon per year in 2010 if the equivalent amount of energy were generated from gas. Our longer-term ambition is to double this target to 20% by 2020.

The Government wants to leave the market free to decide which form of renewable energy it will use, but given the state of development of the different types of renewables, we think that by 2020 wind and biomass will be in a position to make the most significant contributions to a renewables mix. At present, 1% of electricity is supplied through dedicated biomass projects, including the 36 MW straw power station in Ely (which some of you may be visiting tomorrow), landfill gas, and co-firing of biomass in large fossil fuel plants. As the Minister responsible for sustainable farming and the promotion of non-food crops, I have a keen interest in seeing biomass energy take a larger percentage of the renewables market.

So while we are waiting for Ben's advice on how to remove some of the barriers, what is the Government already doing to increase the uptake of biomass energy?

The main mechanism for achieving our renewable electricity target is the Renewables Obligation. Recent changes raised the level of the Obligation: electricity suppliers are now required to source 15% of their electricity from renewable sources by 2015.

In March this year, DTI launched the preliminary consultation on the review of the Renewables Obligation. This sought comments on three key areas: extending the profile of the Obligation beyond 2015; altering aspects of the working arrangements, including making it easier for micro-generators to benefit from the Obligation; and modifying the rules for low cost technologies, combined heat and power and energy from mixed wastes. This preliminary consultation has just closed and I'm sure many of you have commented. DTI expect to publish the formal statutory consultation paper later this year. This will include proposals on

future levels of the Obligation. Changes will only be made where there is a strong case for doing so in order to avoid undermining confidence in the longevity and stability of the Obligation framework.

Co-firing of biomass with fossil fuel in conventional power stations is an important area of development. In 2004, the rules on co-firing were changed to give longer time-scales for the use of biomass. This has made co-firing a more attractive option for both farmers and power generators and 30 co-firing power stations are already on-stream. Several, including Drax, Didcot and Cottam are making arrangements to take purpose-grown energy crops. In view of these developments, it is not intended that the rules will be considered again in the current review of the Renewables Obligation.

The development of dedicated biomass projects for heat, combined heat and power, and electricity generation has been supported under the DTI's and the National Lottery's £66m Bio-energy Capital Grants Scheme. Twenty one projects have been

offered grant funding. These projects range from the installation of heat cluster technology and combined heat and power, to larger scale projects over 20 MW deploying state-of-the-art thermal combustion and advanced conversion technology. After a slow start, many biomass heat projects are now in place, and several electricity generation projects are progressing. You will be hearing more about some of these later this morning.

Biomass energy is ideally suited to implementation and deployment at a local level, allowing communities and individuals to play an active role in helping to meet our targets. In addition to the funding for small-scale projects under the Bio-energy Capital Grants Scheme, grants are available under Defra's £50m Community Energy programme. This has supported several community heating schemes fuelled by biomass. We are currently developing a £10m extension to this programme. Local groups set up under the Countryside Agency's Community Renewables Initiative are working with communities to devise renewable energy projects suited to their locality. Projects being pursued

include wood fuel used for electricity and heat in small biomass schemes.

We are also looking at the scope for further promoting renewable heat. A scoping study in 2003 concluded that there is significant potential for renewable heat in the UK. Defra and DTI then commissioned a further study to look at quantifying the carbon benefits which might be gained from renewable heat and heat from CHP plants and the extent to which support is required. I know that many of you are keen to see progress in this area. The report is due shortly and in the light of this study, we will consider all the possible options for support, including a renewable heat obligation.

Turning to feedstock supply, we want to encourage a wide range of feedstocks. Farmers who want to grow short rotation coppice and miscanthus energy crops for heat and electricity use can receive planting grants under Defra's £29m Energy Crops Scheme. This scheme also provides grants to support the setting up of producer groups for short rotation coppice growers. Uptake

of the scheme was admittedly slow in the early years, but applications are now increasing as energy end-users start to get established. We are currently considering the shape of the successor to the scheme when this one comes to an end in 2006.

Farmers can also receive the Single Payment for short rotation coppice and miscanthus grown on set-aside or where the €45 per hectare energy aid payment is claimed for crops on non set-aside land.

Further funding for supply chains was made available under the UK-wide £3.5m Bio-energy Infrastructure scheme. This provides grants to help develop the supply chains for energy crops and woodfuel from harvest through to delivery to energy end-users.

Support for energy crops is also provided by R&D funding from Defra of around £600,000 per year. This underpins an expansion in the commercial breeding programme. The aim is to double the output of new varieties by developing crops with maximised yield and resistance to fungal diseases and pests. Studies are also

looking at the development of non-pesticide control strategies; and potential new energy crops such as switch grass and reed canary grass. In addition, Cambridge University have been commissioned to provide data on the economics of energy crops. This report is due shortly. All these measures are designed to expand and improve the viability of the industry. You will be hearing more about our research programme after lunch.

However, we have realised that, despite these initiatives, there are still significant barriers to be overcome before biomass energy can become firmly established. We are working hard with industry, farmers and other Government departments to resolve these problems and we are looking to Ben to focus on the key issues. I have every confidence that the team will find ways to move the biomass industry forward when they report in October.

I started this speech talking about climate change and before I finish, I want to mention the Government's review of the Climate Change Programme. The programme was originally published in 2000. It set out a range of policies which we estimated could cut

the UK's emissions by 23% by 2010. Two key policy areas included making more use of combined heat and power, and encouraging the development of renewable energy crops as a form of energy.

The review is looking at how existing policies are performing and the range of policies that might be put in place in the future to put us back on track to achieving our domestic and longer term goals. The review is making good progress. The public consultation closed in March, with over 300 responses. These responses, along with the outcome of the analytical work on policies and measures, will be fed into the design of the revised programme. This will be published before the end of the year.

To conclude, these are exciting times for biomass energy. Progress towards the low-carbon vision set out in the Energy White Paper needs a vigorous biomass energy industry. Conferences such as this one have a vital role to play and I am pleased to see many of the key players here today. I welcome your enthusiasm and I know that there will be lively and

constructive discussions. On behalf of the Government, I hope we can continue to work together to make our low-carbon vision a reality over the coming years.