

Speech from The Foundation for Science and Technology Debate on the UK long-term infrastructure project pipeline

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Tim Yeo

Chair, House of Commons Select Committee on Energy and Climate Change and MP for South Suffolk

For first time in history of the world every modern prosperous economy now faces genuine global competition. Jobs and investment are becoming more mobile than ever before. Neither of those trends is likely to go into reverse any time soon.

To remain competitive in the 21st century countries will require three things

First a top class education system which enables the talented elite to shine at the same time as preparing all school leavers and graduates for working lives in which change will be more rapid than previous generations have known and new skills will have to be learned several times during a single career

Second a tax and regulatory framework which attracts and encourages investment and high value added jobs at a time when other countries are competing for the same funds.

Third a modern 21st century infrastructure whose key components are a modern transport system; an up to date, reliable and cost effective energy industry; and a state of the art IT network.

Forty years ago when I started work in the investment business I told friends they should travel to America at least once a year to understand where the world was heading

Today I tell them they must go to Asia every year. The world's centre of gravity is shifting rapidly east.

So rapidly that western Europe, which doesn't have the luxury enjoyed by the US of being able to look directly to Asia across the Pacific, must get its skates on in this decade if it is not to be relegated to third world backwater status by the middle of the century.

Short of natural resources, geographically out on a limb, burdened by historic high tax rates and heavy debts, Europe needs to act fast to avoid a long term decline in its living standards compared with the rapidly growing East.

Nowhere is this relative decline more apparent than in the painful contrast between the transport infrastructure of many Asian countries and our own.

Anyone returning to London from Hong Kong or Beijing or Singapore must bemoan our failure to update our railways, airports and roads.

[possibly illustrate this by HK v Paddington Express]

But much has already been said this evening about transport so I will focus more on energy infrastructure.

Today both business and domestic life depends on a continuous supply of electricity.

I do not believe that the public, here or elsewhere, would now tolerate the power cuts which were an unhappy aspect of Britain in the early 70s.

Such experiences may still be part of life in a few African cities. They are not acceptable in any modern economy.

But at the same time as growth continues, populations increase and both transport and heating systems are electrified, demand for energy is inevitably growing.

In Britain it is estimated we need £110 billion of investment in new generating and transmission capacity.

About £75 billion of this will be generation and the rest transmission.

The Govt's aim is to have 30% of electricity generated from renewable sources by 2020, much of it from wind, a formidable target which can only be achieved by the construction of huge numbers of new wind turbines, solar panels and so on.

Finding the money is the first challenge when there is no god given reason why investment, which on this scale involves international investors and companies whose market place is global, not national or regional, will automatically flow into Britain.

If investors see better returns in jurisdictions whose policy framework is more stable they will go there.

The current delays in the passage of the Energy Bill, born after a pregnancy of already elephantine length, through Parliament; the confusion about how far the Govt intends to rely on gas; doubts about the extent of its commitment to reducing the carbon intensity of the electricity generation industry are all contributing to a hiatus in investment decisions.

The construction of nuclear power stations is stalled amid disagreement between the Treasury and EDF about the price EDF can charge

Urgently needed investment in new gas fired capacity is not taking place because the details of the so called capacity market have not been made clear.

But in Britain we have a further obstacle to overcome. Even when investors want to support energy projects here our planning system represents a challenge, capable of causing lengthy delays in the commencement and completion of these developments.

Such delays significantly raise their costs.

In extreme cases some projects may be blocked completely.

At a time when time is of the essence for new energy investment a more streamlined decision making process is essential if Britain is to remain competitive.

A step in the right direction has been taken by the transfer of responsibility for considering nationally significant infrastructure projects away from individual local authorities to the Planning Inspectorate and the Minister. But further changes are needed.

Earlier I mentioned the vital importance of up to date IT infrastructure. Years ago, when the mobile phone industry was in its infancy, the urgent need to roll out a nationwide network of mobile phone masts was recognised in planning guidance.

Masts of less than fifteen metres in height were exempted from the need to obtain planning approval. This meant that local objections could be ignored.

Although this was a draconian approach its effect was to facilitate the rapid growth of the mobile phone industry for the benefit of millions of consumers.

I believe that such interventions in the planning process should only occur rarely where there is a clear national interest at stake.

There can be little doubt that in relation to energy infrastructure such a national interest exists.

Let me illustrate this by reference to three types of energy.

Firstly shale gas. Many people believe that the presence of abundant shale gas reserves in Britain will be the saviour of our energy needs.

Envious eyes have been cast across the Atlantic at the game changing impact of the discovery and exploitation of huge shale gas reserves in the US.

Two years ago my Committee recommended that the Govt should give the go ahead for the development of shale gas in Britain.

We reached this conclusion after a careful examination of the environmental and other risks which shale gas pose. We believe that it is possible to establish a regulatory regime which ensures that shale gas can be safely exploited.

We regret that two years later DECC still seem to be hesitating, though the signs are that approval will be forthcoming, at least for some exploration without which the scale of the recoverable reserves cannot be accurately assessed.

But even if this approval is given individual shale gas projects will still face formidable difficulties in securing planning consent.

Some of the more promising areas for shale gas are in Hampshire, Berkshire and Sussex. Groups of protesters are already being formed, years before any planning applications are likely to be submitted, with the aim of preventing shale gas drilling in cherished communities.

The exploitation of a valuable national resource is likely therefore at best to be severely delayed and at worst prevented.

I do not think the Treasury, the strongest advocates in Whitehall of shale gas development and its benefits, have factored into their thinking the planning difficulties the industry will face.

Secondly, in terms of low carbon electricity, on shore wind turbines are one of the more cost effective technologies available.

The subsidy required by on shore wind is substantially lower than off shore, on which the Govt seems keen to place a disproportionately large bet.

At present the Renewable Obligation Certificates, through which consumer funded subsidies are paid to various low carbon electricity generators, are so opaque that few consumers have any idea about the relative costs of offshore wind compared with solar PV, anaerobic digestion or onshore wind.

This obscurity will end this summer with publication, for consultation, of the proposed strike prices for the new system of contracts for difference which the Energy Bill is introducing to support low carbon generators.

But even if it becomes clear that onshore wind offers far better value for money the intense local opposition to many wind turbine applications means that the expansion of the industry is likely to be tortuously slow.

At least it can be said that the planning system is technology blind - equally difficult for both fossil fuel and non fossil fuel generators.

What concerns me is that the projects likely to be obstructed in these two important industries are relatively small scale.

Major wind farm developments, for example, will enjoy the status of being nationally significant infrastructure projects. This enables them to by pass some of the local objections.

A curiosity of the planning system is that objections from people not directly affected by applications submitted for approval must be considered.

Very few communities which have hosted a nuclear power station in the last forty years have serious reservations about the construction of replacements.

However local support for a project is no guarantee of swift approval.

So I have three recommendations for improving the planning process in relation to infrastructure projects and in particular for the improvement of our energy infrastructure to meet the needs of the first half of the 21st century.

The first is the introduction of a strong presumption in favour of infrastructure development which meets the needs of national energy objectives.

These objectives can be defined as greater energy security, a reduction in carbon emissions and value for money for consumers.

Projects which clearly contribute to the achievement of these objectives should have a strong presumption in favour of approval, even in the face of local objections, when they are submitted to local councils for determination.

The second is to facilitate the sharing of the benefits of specific individual energy projects with local communities.

At present those benefits too often accrue to people and organisations who suffer none of the environmental impact.

This is an inherently unfair approach. Costs and benefits need to be more equally shared.

More imagination should be used. For example why not freeze the cost of electricity for consumers living close to new energy developments?

That prospect might make a couple of wind turbines a great deal more acceptable in some places.

Or allow local communities to share some of the revenue created by a new shale gas development?

The third is the introduction of a fast track approval process for projects promoting energy efficiency.

Too often the enormous benefits of greater efficiency in the use of energy are overlooked.

The technology available today could cut the cost of energy significantly for domestic consumers.

But much of it is ignored. Belatedly the Govt has woken up to the need to stimulate energy efficiency investment. The biggest contribution can come in the built environment, both through new build and retrofit.

If developers saw the chance of a fast track through the planning process by incorporating state of the art elements in the plans they bring to local councils for approval Britain's buildings would be both more economic to run and more environmentally friendly.