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Dear Secretary of State

The Provision of a secure supply of affordable energy to the UK Plastics Industry

As a key UK manufacturing sector we wish to express serious concerns about the ability of current government plans to deliver sufficient energy supply to industry over the next decade.

The British Plastics Federation was established in 1933 as the World's first plastics association, and is the leading voice for the UK Plastics Industry. Our industry employs 180,000 people and has a UK Sales turnover of £18bn per annum. The BPF has 450 member companies and since 2009 we have had a Climate Change Agreement with DECC.

Plastics products make a sustainable contribution to a low carbon economy by for example:

- Plastic components light weighting automobiles and aircraft
- PVC-U double glazed windows and Expanded Polystyrene insulation enabling buildings to be energy efficient
- Plastic Packaging 80% lighter than it was 20 years ago
- Plastic composite rotors for wind turbines

Our Climate Change Agreement is driving down energy use in our industry. But nevertheless we are dependent on secure and affordable supplies of energy being available in the UK.

Energy Policy and Gas Generation

In the BPF's strategy paper "The UK Plastics Industry: A Strategic Manufacturing Sector" with a foreword by the former BIS Minister Mark Prisk MP, published last April we stated:

“Government needs to fast-track new replacement energy generation capacity and gas storage to ensure that supply equals demand and that energy costs do not escalate.”

We have read with interest your November Energy Statement and Energy Security Strategy and the Gas Generation Strategy published in December. We noted the measures you are taking to “keep the lights on and bills affordable for consumers.”

We generally welcome the measures outlined in both Papers but feel they do not go far enough in rapidly developing replacement power generation capacity to replace the fifth of power stations due to close over this decade.

We see another “dash for gas” is proposed with about 40 gas powered stations being required by 2030. All will require planning permission with the usual delays and of course we continue to import half our gas needs. With Germany phasing out nuclear power the demand for gas and its cost will escalate hugely. Germany is able to store 120 days gas supply where as in the UK we can only store 16 days’ supply. We note there are three new storage facilities under construction and there is uncertainty about a further nine. It takes five years to build a new storage facility.

We agree with your Statement that “electricity demand is likely to increase by between 30% and 100% by 2050.” Our population is rapidly increasing and personal use of energy is continuously increasing. By 2050 it is expected that our population will have grown from 62 million to 74.5 million.

In 2015 it is predicted spare power generation capacity will fall to just 4% when we need 20%.

The BPF strongly supports ageing nuclear reactors being replaced with new ones. But there is great uncertainty and delay with two major developers withdrawing. No public subsidy is planned and each new reactor will cost £7bn. The Energy Statement does not say when the 16GW of nuclear generation is expected to come on stream.

Shale Gas

The BPF has strongly supported the Chancellor’s announcement of consultations on tax incentives to encourage Shale gas exploration.

We have seen the important boost shale gas will give in the USA to lowering energy costs and imports and providing plastics raw materials feedstocks.

UK shale gas reserves could be worth £1.5 trillion but we recognise it will take time and investment to realise its potential.

Energy from Waste

The Government rightly wishes to obtain energy from a variety of sources, for added security. We are very surprised that Energy from Waste does not feature in your Energy Policy.

Unrecyclable waste can provide, through Energy from Waste, 10% of future electricity generating capacity as well as large quantities of heat energy. It is a 24/7, all year round, source of "base load" generation and is not dependent on imports. It saves on the use of fossil fuels and provides local community heat and power or can provide the same in industrial districts.

EfW reduces greenhouse gas emissions by diverting waste from landfill. Landfills in the UK are rapidly filling up. So for that reason and the need for more power generation we urge the Government to provide leadership for rapid expansion of EfW capacity in the UK and the promotion of its benefits. The "greenest" countries in Europe all generate heat and power from unrecyclable waste. In the UK we lag behind with only 31 EfW plants.

Conclusion

The BPF strongly supports the action you have taken but concerns still remain that we are not moving fast enough to ensure that UK energy supplies meet demand. Every month lost with no progress on developing new power generation brings the power cuts closer. The Plastics Industry needs the certainty of affordable power supplies to keep and attract investment in the UK.

We would summarise our proposals as follows:

- A drive for gas powered generation is only a medium- term answer. But planning permission must be fast tracked for these stations and also for a big expansion in gas storage.
- We need a fast timetable for new nuclear power generation replacing our ageing capacity.
- Government supports increasing Energy from Waste power generation but must provide more political leadership on the benefits.

Of course fast construction of the above, urgently needed facilities, will provide valuable jobs as your Energy Statement points out, including in our industry.

The BPF has expressed similar concerns to the previous Government's Energy Ministers ever since 2006. We do wish you all the success with the initiatives you are taking to tackle this strategic issue.

Yours sincerely



Peter Davis
Director-General



Philip Watkins
President