

Wood Panel Industries Federation

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RFI Team
Renewables Directorate
Department of Energy and Climate Change
4th Floor, Area A/B
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Dear Sir or Madam,

I am responding to the consultation on Renewable Electricity Financial Incentives in my capacity as Director General of the Wood Panel Industries Federation. The WPIF represents all UK manufacturers of wood-based panels. The Federation's members employ over 6,000 people in the UK, directly and indirectly, and have an annual turnover in excess of £600m. The industry occupies eight UK manufacturing sites (three in England, three in Scotland, one in Wales, one in Northern Ireland) and is the largest processor of UK-sourced wood, annually consuming some 4.5m tonnes. This is approximately equivalent to 45% of the annual wood harvest (including recovered wood); any disturbance in wood flows has a major impact on this industry sector.

The industry has been significantly affected by the cumulative effects of the Renewables Obligation and the increase of dedicated biomass plants and co-firing. Both of these processes currently source the same wood that the wood panel industry uses to manufacture its products. We welcome this consultation on Renewable Electricity Financial Incentives and the focus it brings to the issue of establishing a sound financial framework for renewable energy generation within the UK. However, this response concentrates on the cap for co-firing, which we believe to be too high.

Renewables Obligation

Qu. 28: Do you consider the cap be retained at 12.5% going forward?

The WPIF is firmly of the opinion that a cap should be retained and we would not endorse it moving any higher than its current rate of 12.5%. As the consultation document notes, "in the long run the cap is unlikely to significantly affect the ROC market for co-firing." We are surprised there are operators who now feel this condition is unreasonable; they have known about the cap for some time. Indeed, The Renewables Obligation (Amendment) Order 2004¹ set out a timeline which envisaged the cap reducing to 10% for the period covering 1st April 2006 up to and including 31st March 2011 and reducing again to 5% for the period 1st April 2011 up to and including 31st March 2016. This timeline was reinforced with the passage of The Renewables Obligation Order 2005² and 2006. When removal of the cap was mooted in the May 2007 Renewables Obligation Reform consultation issued by the DTI, it stood at 10%. The increase between 2007 and 2009 represents a 25% increase in the amount of co-firing eligible for RO certification.

Government's stated policy is to reduce carbon emissions; any increase in the cap would only serve to "lock in" carbon emissions from coal-fired power stations and further retard the growth of the renewables industry. What must also be considered when reviewing the co-firing cap is what effect any change in it would have on industries such as the wood panel industry which, through their existing production

¹ http://www.opsi.gov.uk/si/si2004/uksi_20040924_en.pdf

² <http://www.opsi.gov.uk/si/si2005/20050926.htm>

processes, already sequester vast amounts of carbon every year. Removing the cap completely would place an increased strain on the already tight supply of UK timber. At best, removing the cap would mean many more power plants becoming reliant on importing substantial quantities of biomass from distant production centres. At worst, removal of the cap would mean co-fired power stations utilising the advantage of the RO to force other customers out of the market for UK-produced timber.

Although the use of biomass in coal-fired power stations improves the emissions of coal combustion, it is an inefficient use of biomass resources, especially wood, except in CHP or district heating.

Qu. 29: *If you think the cap should be changed, when should this happen and at what level should the cap be set? Please provide evidence supporting your answer.*

The Wood Panel Industries Federation believes that the cap should be changed. We would argue that the cap must continue to decrease in line with Government's previous proposals, which charted a cap decrease to 10% by 2011 and then to 5% by 2016. Scaled decrements were introduced because co-firing is a short-term solution to reducing carbon emissions. Indeed, this was recognised by the then DTI in 2007 in reaction to concerns that, by allowing co-firing to enjoy the benefits of the RO, carbon emissions would be locked in. We believe that the Government should focus its support on truly sustainable, long-term solutions.

Financial support for co-firing is extremely worrying for our industry and other users of wood because of the potential to burn enormous quantities of biomass. We do not believe it is either fair or sustainable to encourage this low-efficiency, established technology that makes such feeble inroads into ending the UK's reliance on fossil fuels.

Conclusion

The WPIF believes that renewable energy can play an important role in providing the UK with clean, renewable energy. We believe that the Government's final proposals must take a longer-term view so that industry stakeholders and energy producers can make sustainable and long-term investments to realise the Government's ambitious targets for carbon reduction. Putting in place appropriate mechanisms to support the development of CHP facilities and putting an end to the accommodation of traditional coal-fired power stations would be substantive steps in the right direction.

Yours faithfully

A handwritten signature in black ink that reads "Alastair Kerr". The signature is written in a cursive, slightly slanted style.

Alastair Kerr
Director General, Wood Panel Industries Federation