

08 February 2010 – Speech by David Kidney to Schott UK

The Material Lab, 10 Great Titchfield Street, London

Good afternoon,

To begin with please let me express my thanks and pleasure in being invited to speak here today.

I am grateful for the opportunity to show my support for the important work that you companies like Schott are doing and talk a little about how it complements Government policy, particularly in the area of energy and climate change. I'd also like to say something about the challenges and opportunities that the move to the low carbon economy will bring and how companies like Schott can help us meet them.

First let me stress how important the solar PV industry is to us. As you are all aware, we have set very ambitious targets to reduce emissions in the UK. Meeting these targets will require lots of low carbon energy.

Over the past few months there's been a lot of attention on the run up to, and fall-out from, the talks in Copenhagen. Making progress internationally is crucially important. And one of the strongest cards we can play at the negotiating table is to show that we are taking action at home and achieving substantial emissions reductions.

Having a strong renewable energy industry in the UK producing low carbon electricity from our buildings and reducing our emissions is crucial. This will also play a big part in showing other countries that they too can reduce their emissions and that they shouldn't be afraid of agreeing tough targets.

Renewable energy technologies, including solar photovoltaics, form a pivotal part of our drive to widen access to low carbon electricity generation to households, to businesses and to communities. We envisage that domestic solar PV installations will provide a real contribution to that goal. And of course, increasing renewable electricity generation helps lower our reliance on fossil fuels.

The move to a truly low carbon economy will change every aspect of our society:

the way we live and work, the skills we need and the jobs we do. And it will mean a complete transformation of our economy.

Alongside last year's financial budget, the Chancellor set the first ever legally binding carbon budgets. So at a national government level we have already written into law an 80% reduction in greenhouse gas emissions by 2050 and an interim 34% reduction by 2020.

To meet these budgets we need no less than a second industrial revolution across the UK.

Schott's success proves we're not starting from scratch.

The UK currently gets around 5.5% of its electricity from renewable sources. That will need to increase to around 30% by 2020 in order to meet our renewable energy target. Since its introduction in 2002, the Renewables Obligation has done much to move us towards this by tripling renewable electricity generation. We obviously have much further to go, and we need engagement from a wider cross section of the economy: frankly we want households and communities to be able to take part.

This brings me on to our new scheme, Feed-In Tariffs, or FITs, which will be introduced on 1 April 2010. This will provide financial support for low carbon electricity technologies and incentivise the deployment of small-scale installations, and we set out our decisions following last year's consultation in the response document we published last Monday this time last week.

When the scheme is launched it will support new anaerobic digestion, hydro, wind, microCHP and, of course, solar PV installations.

Electricity generation is something that historically has been the domain of large industry players: through the certainty that FITs provides and the increased level of support that they bring, we will help more businesses, more communities and more individuals take steps to join the climate change fight and produce their own, low carbon electricity.

But it's important to remember that FITs are only part of our armoury. T – the renewable heat incentive, the consultation for which launched alongside our FITs decision document, is another important mechanism. We think our proposition is

the first of its kind in the world. We are expecting the RHI to bring forward 1.7 million domestic installations, and many more gigawatts of electricity will be delivered by the Renewables Obligation. Putting this with the expectations of the FITs scheme, we could see up to 10% of homes in the UK generating their own energy, which would be a tremendous achievement.

Alongside these two important developments we intend to roll out smart meters to every home and business in the UK. We are on the threshold of enabling energy consumers to be much more active and much more in control of their energy management.

Key decisions that we have taken to guarantee the success of feed-in tariffs have included ensuring household FITs income is tax free and index-linking payments to RPI, two issues that were raised very strongly by respondents to our consultation. We listened throughout the process and we've been able to design a better deliver in the final package as a result of the input we received. We fully expect these decisions we have taken to drive growth in your sector.

We've also decided to delay degression – or reduction - of the tariffs for a year. This holiday will ensure that industry has the right conditions to hire and train new staff and still obtain the maximum boost from the FIT. Now we are looking to companies like yours Schott to get the Feed-in Tariff off to a flying start.

If I can remind you of where we were 12 months ago, we've come a long way. A year ago a domestic scale PV installation would have probably obtained a grant through the Low Carbon Buildings Programme and could have access to roughly 9 pence per kilowatt hour support through the RO. The same equipment installed today will get 41.3 pence per kilowatt hour. This is a huge leap forward and a great incentive to all those involved.

Initial reactions from the press media and the renewables industry have been encouraging, and I've even seen a few complimentary comments posted on twitter.

If I may quote Jeremy Leggett, Executive Chairman of Solarcentury, who's said: "Home energy generation and associated jobs have been given a huge boost today. The Government's financial incentives for homes, communities and businesses to generate clean electricity marks the start of a solar revolution in the UK. For the UK to reach its carbon reduction targets, people have to be given the opportunity to generate their electricity in a rewarding and accessible way, this

makes it possible.”

That’s certainly a quote that’s going in my scrapbook, and I suspect it will be going in the scrapbooks of my fellow ministers as well.

I hope the feed-in tariffs we’re implementing will trigger a small scale electricity revolution, bringing the direct benefits of renewable electricity to the wider general public. Engaging more people in directly tackling climate change this way should help bring about greater acceptance of the behavioural changes that we need to make. I also believe that those who generate their own electricity, are likely to value it more and use it more responsibly and efficiently.

Driving customer demand and spreading the FITs message is also crucial and we look to companies like Schott and your Schott’s customers to help us meet these aims. Your commitment to social and ecological responsibility allied to your products’ reputation for quality and reliability can really help the success of the Feed-in Tariff scheme.

It is imperative that we see that the quality of products and installations is at the highest level. This will ensure that those who have invested heavily in training their installers and in developing quality products will have the most to gain. We do not want to open the market to poor quality products and installations. It will be vital to maintain consumer confidence in the renewable energy industry - both in terms of the quality of the products and the quality of the installation. We will therefore work with the industry and consumer groups to achieve this goal.

We have said we are committed to developing a world leading low carbon energy sector. I simply point out that, and we therefore need a UK workforce equipped to compete at the forefront of the future global marketplace. This country’s low carbon future can only be built by people who have the skills demanded by new and dynamic industries operating in a globalised economy. Companies like Schott epitomises this type of company and we therefore ask you the company and its competitors to work with us in building thisat future.

As we move out of recession, we have a historic opportunity to green the economy and build a cleaner future. We are putting the financial framework in place to unlock the considerable interest and dynamism around this agenda. As my colleague Lord Hunt put so eloquently in his foreword to the consultation response, we’re confident that these measures will mean that small is not only beautiful but

also worthwhile.

This low carbon vision presents us with many challenges, but more importantly, many opportunities. Solutions that companies such as yours' Schott provide will be more valuable than ever as we strive to overcome the barriers we face.

You Companies like Schott are committed to widening access to renewable electricity – so am I.

You They are committed to the highest standards of quality and skills – so am I.

You're They're committed to sustainable improvement in living and working conditions – so am I.

Clearly we already feed in to the same ambitions.

I look forward to working with you such companies to ensure we meet these challenges.

Thank you.