

Launch of research into the growth potential of microgeneration

Microgeneration technologies could make a significant contribution to tackling climate change, contributing to ensuring reliable energy supplies and reducing fuel bills, according to an independent report that was commissioned as part of the Government's Microgeneration Strategy.

The report follows the largest independent consumer-facing research project ever conducted into the market potential for microgeneration, and fulfils two commitments in the Microgeneration Strategy – research into consumer behaviour, and research in support of a decision Ministers will take later this year on whether to set a target for microgeneration in Great Britain.

The key findings are:

- There are almost 100,000 microgeneration installations in the UK, up from 82,000 at the end of 2004. At current support levels, this could increase to approximately 1 million by 2020
- With ambitious policy measures, up to 9 million microgeneration systems could be installed by 2020, producing as much energy as 5 nuclear power stations. This would require an estimated cumulative cost of at least £21 billion
- By 2030, microgeneration installations could be saving thirty million tonnes of CO₂ - an amount equivalent to removing the emissions from all Heavy Goods Vehicles and Buses from UK roads. . These savings could be achieved at an estimated cumulative cost of at least £70 billion (excluding non domestic subsidy costs)
- If consumers are to take up microgeneration in these numbers, they need to see a compelling economic reason to do so – environmental benefits are not sufficient on their own to create a genuine mass market.
- That government targets for microgeneration, supported by concrete policy measures, would improve the confidence of those investing in the sector.
- A challenging government target of 2-3 million units installed by 2020 could be met through a combination of measures.
- That a range of increased support measures would be needed, which could include:
 - A long lasting and consumer-friendly financial incentives scheme to stimulate substantial uptake (to deliver the equivalent of over 40p/kWh in above energy price for wind and photovoltaics, 5p/kWh for electricity from microCHP and 2p/kWh for renewable heat technologies such as heat pumps and solar thermal systems).
 - Intervention to allow consumers to receive these incentives up-front or spread investment out over a long period to help with the high initial costs of equipment and installation.
 - A definition for the zero carbon homes (2016) and zero carbon buildings (2019) policies with restrictions on allowing offsite electricity

- Efforts to bring to market technologies that are not yet ready for full-scale commercial production, such as large scale field trials or early public procurement schemes.
- Continued consumer campaigns to improve consumer accounting for energy-based decisions, focused on lengthening consumer time horizons when considering energy purchase.

The report can be downloaded from www.berr.gov.uk/energy/microgenerationresearch

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Quotes from stakeholders welcoming the report

Malcolm Wicks MP, Minister of State for Energy: *“Microgeneration has the potential to make a significant contribution to overall energy use in the UK and, combined with energy efficiency measures, will help towards reducing our carbon emissions. The concerned individual can take an active role in the battle against climate change.*

“This is an interesting and informative piece of work which will help us in our decision making for future policies on microgeneration. We will be considering the findings and cost effectiveness as part of our consultation process of the Renewable Energy Strategy which we will begin in the summer. ”

John Chesshire, Chairman of the Microgeneration Study Steering Group: *“Decisions made in the heating and microgeneration market will have significant impacts upon carbon mitigation, the delivery of low- and ‘zero’-carbon buildings, energy efficiency, energy security and fuel poverty. Investment in manufacturing capacity for such systems and final users’ choices amongst them will be affected by absolute and relative energy prices, consumer preferences, technological change, and government policies.”*

Dave Sowden, Chief Executive of the Micropower Council: *“We welcome this thorough and well-timed piece of research. This is much needed, leading up to the Government’s Energy Strategy and will inform Ministers ahead of their consideration of setting microgeneration targets later in the year.”*

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Notes to editors:

- 1) The report has been written by a team led by Element Energy Ltd, supported by TNS Social and the University of Newcastle.

- 2) The work was overseen by a Steering Group made up of representatives of each funding partner, chaired by Professor John Chesshire.
- 3) The funding partners are: The Department for Business, Enterprise and Regulatory Reform; British Gas Service Ltd; Ceres Power plc; E.On UK plc; The Ashden Trust; The Energy Saving Trust; Micropower Council; National Energy Action; Renewable Energy Foundation; North West Development Agency; East Midlands Development Agency; South West of England Development Agency; South East Development Agency; London Development Agency
- 4) The views expressed in this report are those of the authors and do not necessarily represent those of BERR, or any other government department, or any individual or body associated with this research
- 5) The report builds on previous work done in this area in the following ways:
 - (i) Identifies the types and priorities of the key consumer groups that hold the key to adopting microgeneration.
 - (ii) Estimates the numbers of each microgeneration technology installed up to 2007.
 - (iii) Provides up-to-date technology cost and performance data for each microgeneration technology, with an analysis of the most relevant technology-specific issues.
 - (iv) Presents the results of a model for supply and demand for microgeneration, indicating likely uptake in the absence of government support and as a result of announced policies.
 - (v) Presents the results of the analysis of a suite of possible future policy interventions to incentivise the uptake of microgeneration.
 - (vi) Highlights key uncertainties and sensitivities around microgeneration uptake.
 - (vii) Provides implications for policy development and the setting of microgeneration targets.