

The Shape of Things To come

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Without substantial intervention in the energy market, the UK will miss its emissions targets and will find itself with insufficient power.

That is agreed by Government, the Opposition and the regulator. But they have different views about the cause and extent of the problems. It's no surprise, then, that they disagree about the way forward. Each has set out the options recent policy announcements.

The regulator kicked off with *Project Discovery*. This sets out four 2020 out-turn possibilities, which presuppose two economic recovery scenarios, slow and fast with, in each case, high investment or low investment in 'green' infrastructure.

It then outlines five options to overcome the inadequacy outputs of these scenarios. The options range from a central energy buyer to a mix and match of a carbon floor, a centralised renewables market, new purchase and sale obligations, etc. In other words, all the options discussed over previous months make their appearance in the mix of policies for the way forward.

What did Ofgem intend by this? It doesn't have a policy remit (and has *intensely* irritated its current and potential future political masters in publishing.) Was it aiming to narrow discussion about the range of possibilities?

If so, it didn't work. The Treasury followed behind with its *Energy Market Assessment*. This dismisses reliance on a carbon floor and dismisses a central buyer for all energy outputs. It insists focus must be restricted to:

- ◆ paying low-carbon generators more;
- ◆ 'penalising' high carbon generation;
- ◆ paying low-carbon generators a fixed amount.

Having read this document, one's response is *why bother?* It has no argument and defers anything substantive

to an autumn consultation. The only effect is to show that Government doesn't yet have a policy on market reform.

The Tories, by contrast, are hugely ambitious—*over*-ambitious, perhaps? They have published a twelve-point policy plan called *Rebuilding Security*. The plans fall into three parts: substantial market reform, administration and tidying up. The heart of change, the main market-reform proposals, are:

- ◆ requiring electricity suppliers to buy capacity;
- ◆ requiring gas suppliers to have storage, contracted demand-side response and (contrary to the trend in European competition decisions) long-term contracts;
- ◆ implementing a long-term carbon floor price *via* the CCL;
- ◆ building an offshore grid, with associated marine park facilities;
- ◆ mandating a national network of recharging points for electric cars;
- ◆ limiting Ofgem's powers and taking policy matters back into government (contrary to the decisions taken by the European Energy Council).

These policy outlines are quite different, with the Tories being the most interventionist.

But discouragingly, there is a huge similarity between the proposals.

- ◆ Ofgem's options and consultations are irrelevant: it has no powers to be dabbling in policy and no government will give its options any credence.
- ◆ The Government has, as yet, only nascent policies.
- ◆ The Tories have policies which involve a disregard for EU powers and EU decisions that one cannot contemplate any government following through.

A senior Labour parliamentarian said *we don't have policies, we just muddle through*. So far there are no signs that is changing.