

## Energy Policy is getting lost among UK's political football games



The articles of this webdossier are part of a project of the GEF within the Heinrich Böll Stiftung's GET@EU project. This project aims at strengthening the dialogue on the impacts of the German

"Energiewende" on other European states and to develop and promote new common visions for the construction of a European energy transition. The featured articles by authors from the EU Member States allow getting a better understanding of what is at stake in the national energy transition debates taking place all over Europe right now.

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Energy policy has certainly become a popular sport in the UK these days. With the country preparing for a general election in May 2015, the topic is now a major political football.

The opposition Labour party leads opinion polls thanks in part to its energy goal-scoring. In the run-up to May's European elections, populist anti-EU politicians also kick-out at climate action and renewable energy plans.

In Scotland, where a nationalist administration claims oil sovereignty and no new nuclear, an independence referendum is due in September. And though far from certain, the UK may around 2017 even vote on its EU membership.

But where does this leave energy policy and a hoped-for 'energy transition'? While political dramas draw attention, Britain is still some way from realising changes that its energy systems need. What else is driving policy today? Where did this start? And what are its prospects?

In Germany, the ongoing energy transition's political foundation is a strong and successful anti-nuclear movement and subsequently high levels of political and financial support for rapid renewable energy deployment. By contrast in the UK, where currently nuclear has a similar market share, nuclear opposition has not had the same impact and support for renewables has been more limited.

Since back in 2001 and priorities first set by Tony Blair, the two main UK energy policy drivers have been firstly responding to the global climate challenge - at least 80% GHG pollution cuts by 2050 - and secondly the renewal of large parts of the country's electricity generation capacity. Instead of *energiewende* (energy transition) as in Germany, 'decarbonisation' and 'low-carbon investments' are the dominant terms in the rhetorical lexicon.

### 'Market reform' & 'low-carbon' support

The focus on electricity in particular has led to a so-called "electricity market reform" (EMR) policy package. This process was begun under the previous Labour government and since 2010 continued by the present two-party coalition. The choice of name 'EMR' was somewhat Orwellian, since the electricity market itself - how day-to-day- electricity is sold and bought will not change.

Instead, 'EMR' focuses mainly on state purchasing of large volumes of new 'low-carbon' generation capacity, particularly nuclear and large-scale renewable using long-term support contracts. Such purchases are framed as so-called 'contracts for difference' (CFDs) since the subsidy paid (or surplus returned) in each period varies depending on the prevailing wholesale price of electricity. The priority renewable technology will be offshore wind power, which - though more costly - has the advantage of bypassing objections to wind power onshore.

Announced in 2011, the 'EMR' policy package also included three other main elements:

- a capacity market for when and where power system balancing may be needed (only after a higher penetration of renewables);
- a CO2 emissions performance standard to stop (only) new unabated coal being built, in effect by requiring CCS (see below) and;
- additional taxation ('carbon floor price') on fossil-fired generation on top of EU ETS costs.

With new 'EMR' legislation completed in December, public attention has shifted to ensuring compliance with EU single market rules. Long delays in submitting plans

to Brussels leave uncertainties if necessary approvals will be completed before next year's elections.

On the first nuclear subsidy offer for 35-years operating aid to two new French-built reactors at Hinkley Point in southwest England, the European Commission said recently that it had doubts over the compatibility of the plan and has opened an in-depth investigation. Privately, the Commission has said the Hinkley case is also a test case for Europe, since if the UK is allowed to proceed other Member States will follow.

### Shale fever

Running in parallel now to the older electricity story is a younger story about shale gas and fracking. Driven by the rapid changes in the U.S. and by concerns about price and access to energy, the shale option is supported by all mainstream parties. In Davos in January, Cameron highlighted shale developments without mentioning climate change at all.

In practice, there have been so far only a few exploration (test) drilling wells, though all have attracted vigorous opposition (from Greens and other environmental and community organisations) and so help shape the media coverage and public perceptions of the issue. As elsewhere in Europe, initial high levels of excitement by developers have since been scaled back

It remains to be seen if shale will become significant in the UK and what impacts it would have on other options particularly those in the EMR package. Over the next 10 to 20 years, could e.g. abundant and less costly shale displace expensive new nuclear investments? And if it did, what would this mean for longer-term decarbonisation goals?

### Carbon capture

For climate mitigation, while the capture and deep underground disposal of CO<sub>2</sub> from large power plants (CCS) remains a popular idea among some policy-makers

who consider it essential in the long run, no one has so far got organised to demonstrate this set of technologies at scale. The UK considers itself well-suited for CCS since as an island it has good access to injection sites offshore. There is also an active commercial lobby for it and no significant NGO opposition. What has postponed any start to CCS use is however the relatively high costs of both demonstration and deployment and a need for public financial support. Combined with the macro economic downturn, this has led to growing delays before any project gets off the ground.

### European frameworks and their impacts

In general, policy making at the European level ought to lead to a slow convergence of national energy systems. To some extent this is so, for example nearly all countries have now stopped building coal-fired power plants. In the other direction, there are still areas of divergence. Nuclear, e.g., about half of EU countries have it today and about one quarter wish to retain it in the future.

In the EU-level debate about a 'post-2020' or '2030' policy framework, the UK has supported only a single greenhouse gas (GHG) target, albeit a stronger one when compared to most others. In due course, the 2030 GHG target will lead to a stronger and longer ETS pollution price. Several other Member States want also targets for energy savings and renewables while others also want an emphasis on grid infrastructure. Though the Commission has presented some conclusions in January, it will take more time to reconcile all the competing interests into new legislation. Heads of government will discuss together in March, but given the changes this year in the institutions, 2014 is hardly an ideal one for completing new policy development.

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