

**EXPERT VIEW**

**WHITE HEAT REQUIRED TO AVERT AN ENERGY CRISIS**



The coalition's success or failure in energy policy will depend on this month's white paper. This is expected to contain the most ambitious and potentially controversial reforms to the energy market since privatisation, over 20 years ago. The white paper looks set to turn its back on the most liberalised energy market in the world as plans to artificially fix the price of electricity to guarantee delivery of new nuclear plants, and more renewables form the backbone of future policy.

In the last 12 months there has been some cause for concern. The nuclear programme is behind schedule, and plans to generate 33 per cent of electricity from renewables by 2020 look over-ambitious. In 2010 the UK generated just 6.6 per cent from green sources. Coupled with this is the closure of all UK oil-fired plants and a third of our ongoing coal-fired plants by 2016 due to EU rules. This is ironic, as the UK has been relying more and more on coal plants in recent years, particularly throughout the recent energy-intensive record cold winter. In the fourth quarter of 2010 electricity generated by coal was up by 33 per cent, with gas down by 13 per cent compared to 2009.

Plans in the white paper to more than treble the amount of electricity generated from renewables, like wind and solar, will prove hard to deliver and justify on cost and performance grounds. It will require a Herculean effort by the coalition to convince both consumers and investors, as energy bills and fuel poverty continue to rise.

A new carbon floor price will similarly increase bills as gas and coal plants (which make up over 70 per cent of the generating capacity) will have to pay £16 for every tonne of CO<sub>2</sub> they emit from 2013, rising to £30 in 2020. Not since Edward Heath's beleaguered administration collapsed in February 1974 has energy policy and its potential impact on the political landscape been so acute.

The white paper is eagerly awaited in the hope it can reduce Britain's exposure to high prices, guarantee new nuclear power arrives on time, and without any further delay. The stakes are huge. 🏠

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North Yorkshire's Drax, which is the largest coal-fired power station in Western Europe, now has new neighbours – a wind farm of 12 turbines



At the height of the energy crisis in 1974, power cuts regularly affected London's Piccadilly Circus – Tony Lodge is anxious to avoid a repetition

**POLICY SUMMARY**

- 1 The electricity market reforms include four policy options to promote investment in infrastructure, especially in low-carbon generation: carbon price support; long-term contracts; capacity payments, and an Emissions Performance Standard.
- 2 Seeking to put nature at the heart of government economic thinking, the *Natural Environment* white paper outlines proposals

- for new Nature Improvement Areas, and green areas designation, and the creation of a natural capital committee.
- 3 The Green Deal proposes a range of measures to improve energy efficiency and promote low-carbon energy production.
- 4 A Green Investment Bank will mobilise private sector investment in renewable technologies and green investments.