



National Centre for Energy Systems Integration



Policy Landscape – some thoughts

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The trilemma

- Ever since policy ‘re-set’ in 2015, the environment/climate change objective has been downgraded relative to affordability and security objectives
- Brexit may intensify pressures in this direction, because UK unlikely to stay in ETS and will no longer be part of 2030 EU objectives for energy
- However....
 - UK direction still mainly set by CCA and CCC with 57% emission reduction target by 2032, and – to a lesser extent – the FCCC and Paris
 - Some indication that at low interest rates, Government may now be willing to borrow for capital projects/infrastructure and this could help energy transition

Current energy priorities

- Reaffirmation of commitment to nuclear power, including Hinkley and funding SMRs, and to gas (both fracked and otherwise sourced). These options may seriously constrain innovative options
- Ambiguity about CCS future – if commercialised, very slowly
- And ambiguity about renewable energy – downgrading onshore wind and wavering about subsidies to other renewables
- Severe downgrading of energy efficiency policy – standards relaxed and Green Deal abandoned without any serious substitution
- No signs that Government willing to start tackling difficult parts of 2032 agenda – non-fossil heat, electrified transport

Some issues

- Electricity demand consistently falling year on year. Why? And how does this relate to CCC view of electricity penetrating heat and electricity markets
- EMR has broadly failed: and how will electricity market work, and be regulated, if/when electricity supply dominated by high fixed cost/negligible running cost plant
- What possibilities are there for more decentralised energy systems at community, municipal, city and regional/devolved scales?
- Is there any appetite for more systemic energy demand reduction policies, which are now in major disarray
- How far should future energy policies 'pick winners' and how? (Remember no generating plant built since 2011 without subsidy)

Some social science issues: economics

Orthodox economics places weight on 'correct' pricing, but different ways of achieving: for carbon either emission trading or taxes could be efficient. Emission trading has attractions of pre-specifying emission outcome

But choice depends on political issues of acceptability, and trading is much more popular with business, hence ETS

Economics also interested in pricing the future as well as the present: importance of debates about discounting and valuing future generations: major ongoing arguments about 'market' proxy for valuing future (high discount rate) and ethical issues of time preference (Stern: low discount rates)

For energy efficiency, improved efficiency does not translate into equivalent reductions in demand: rebounds (direct, indirect and economy-wide effects)

Incentivising investment: technology-neutrality and winner picking both have attractions: winner picking predominating at present

Wider issues: innovation and transitions

- Importance of history: path dependency and ‘lock-in’.
- Incumbency and power
- How to ‘unlock’ and set on new paths?
- Rise of transitions theory; multi-disciplinary
- Niches, regimes and landscapes: the multi-level perspective
- Disputes about feasibility of rapid low carbon transitions: can they be systematically ‘managed’?

Wider issues: dilemmas

Policy faces difficult trade-offs between desirable objectives

- Markets vs. Governments. Markets and efficiency; Governments and wider visions
- Urgency vs. legitimacy. Need for early action on climate change mitigation; need to gain political buy-in
- Stability vs. flexibility. Investor need for predictability; Government need to revise policy which doesn't work well

Why can't we have 'clear and stable' energy policy?

- Energy policy is highly political: there are winners and losers and there are conflicting interests. Policy needs to be democratically accountable, not made only by 'experts'
- Trilemma: environment, security and affordability are sometimes in conflict, and their relative weight changes over time as domestic political forces shift
- As we just saw, stability of little value if 'stable' policy is not achieving objectives
- External events can blow policy off course: policy may need to change to protect against threats or to make use of opportunities
- We should still hope for some consistency in policy, especially in incentivising desirable investment: not a counsel of despair

Reading: I. Scrase and G. MacKerron (eds.) Energy for the Future, Palgrave 2009

Any questions?

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