

The British energy policy in the future and its implications for a future European Energy policy: Resources, targets and the dimension of climate protection

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Summary

Currently there are three key features of the UK energy policy setting:

1. The liberalised state of the energy market – and the belief that this is a desirable state of affairs - sets the parameters for government action. As a consequence, the government role with respect to a perceived need for substantial investment in new power generation is to provide a framework to ‘incentivise’ investment from the private sector. This involves, for example, a public commitment to carbon pricing in the UK by improving the operation of the EU ETS; a strengthened commitment to the UK Renewables Obligation and proposals for reform of the planning regime for electricity projects. However, the sheer scale of the investment required presents a challenge to this market-based system.
2. There is an irreversible trend towards gas/oil import dependence for the first time in several decades. As a consequence, there is an internationalisation of UK energy policy, with fears that a slow rate of liberalisation in EU countries will impact negatively on the UK energy markets, and concerns that the main fossil fuel producers have not bought into the liberalisation concept much, if at all.
3. There is a strong and genuine governmental ambition vis-à-vis climate change mitigation policy. Apart from commitments to international action, there have been actions at home, not least experiments with fiscal policy (Climate Change Levy).

What are the consequences of the above for the UK's European policy?

1. With respect to the first (liberalisation), the UK has supported strongly the European Commission's programme of deepening the internal market in energy, not only by means of EC legislation and enforcement actions by the Commission but also by supporting an expanded role for the national energy regulators on the European energy scene (the ERGEG). It has not supported the idea of a single European energy regulator.
2. With respect to the second (security), the UK has been a supporter of common approaches to ensuring security of supply. However, this has not translated into support for enhanced powers for the European Commission in this area. There have been three explicit routes attempted: firstly, support for joint actions with other Member States within the EU (security of supply directives, actions through the ERGEG, Prodi-Putin dialogue, etc); secondly, multilateral initiatives such as those involving the Energy Charter Treaty; thirdly, bilateral actions (UK-Russia).
3. With respect to the third (climate change), there is support for an extended role for the EU ETS, especially in Phase 3 (from 2013); for Kyoto and the negotiations on its next phase or a successor treaty; for implementation of the environmental measures on cleaner use of coal, and support for the Euratom on safety and research in nuclear energy.
4. Finally, with respect to all three of the above, it may be noted that the UK agreed to the inclusion of the energy chapter in the draft European Constitution, a striking reversal of UK positions on this issue when it has been raised in the past (throughout the 1990s). The UK has also been a robust supporter of a common EU energy policy in the last 2-3 years.

It is worthwhile to contrast the aspirations and ambitions in UK energy policy with its recognition of 'necessities'. The 4 declared goals of energy policy are: to put the UK on a path to reduce carbon dioxide emissions by 60% by 2050; to maintain reliable energy supplies; to promote competitive markets in the UK and beyond, and to ensure

that each home has an adequate and affordable supply of heating. There are two challenges that have been singled out however: climate change mitigation and energy security at a time of growing energy dependence.

The two challenges invite a supra-national, European or wider response. This is recognized. However, there are two qualifications to this search for common solutions that may be identified in UK energy policy:

1. The manner in which there is a commitment to a supra-national response vary. With respect to dealings with non-EU fossil fuel producers (eg, Russia) there is evidence of some confusion. The commitment to a robust role for EU institutions on liberalisation and climate change contrasts with a very reluctant commitment to a common approach on security issues.
2. There is a strong commitment to national solutions to the above problems. This includes a commitment to the development of 'home-grown' energy resources (N Sea oil and gas) and also to the development of coal, but most strikingly, to a revived role for the nuclear industry.