

# **The politics of energy**

**The main political parties agree that climate change is a serious issue (a bigger threat to the world than international terrorism – Tony Blair).**

**We agree that we must reduce emissions and develop sustainable – or let's revert to the term ecological – alternatives.**

**We agree that international action is required. We welcome that Kyoto – modest though it is – is going ahead thanks to the ratification by the Russians. We regret that the new Bush administration will be even more hostile to signing up – saying that Kyoto is a plot by inefficient European enterprises to undermine the super efficient corporations of the USA.**

**Strange that we attack the Americans by imposing tough restrictions on ourselves, although the day may come when American companies found themselves shut out of some markets because they cannot meet higher technical standards.**

**I welcome the fact that the Prime Minister has set out that the British Presidency of the EU and G8 will address sustainability issues.**

**So far so good and so broadly agreed.**

**The problem is that our domestic approach driven by worthwhile targets is not delivering effective policies, leaving the targets looking increasingly only aspirational.**

**Certain policy instruments have had unintended consequences, which have been acknowledged but not dealt with.**

**Electricity generation has been approached by market transparency under NETA – now BETTA. The trouble here is that the Government's main boast on the electricity market is that it served to reduce prices and help, therefore, reduce fuel poverty and business competitiveness.**

**This is not the best environment to develop new forms of generation or greater efficiency. Extending the market to Scotland has come at a time when prices are rising sharply making the impact on the Scottish public predictably negative.**

**Fuel poverty is an issue and its profile will rise with prices. Nevertheless it should be approached as an instrument of social policy with environmental edges.**

**The electricity market has been further refined by Renewable Obligations. Of course, given the importance of reducing emissions it is highly desirable to make generators buy renewable energy and that pulls through renewable generation.**

**Nevertheless, we can see what a blunt instrument that is. Quite simply it supports the best developed current technology, currently wind energy.**

**This has led to a rush of applications, local planning difficulties and no corresponding assistance to other potentially rich technologies.**

**Of course, I favour wind energy. There is meeting in my constituency tonight to make late objections to a large scale wind farm. I will not be able to attend and have made it clear that I will not object. Nevertheless this is only the latest in many meetings relating to different proposals in my constituency alone.**

**Yet other projects looking at biofuels, including timber offcuts and thinnings, wave, tidal, solar, CHP are largely neglected.**

**Of course emissions trading is another mechanism which can help promote technologies that minimise ecological damage. Nevertheless, its outcome depends on how different options impact on the environment. This is another reason why many of us favour a carbon tax.**

**All of these mechanisms depend on maximum transparency of both costs and environmental impact that can accurately internalise the costs.**

**We are using market mechanisms to manage the outcome. We believe in markets but they depend on minimal friction and maximum information.**

**Which brings me to the problems of CHP.**

**I am currently the Chairman of GLOBE UK, the all party Parliamentary group on sustainable development. Yesterday a number of our members met with Margaret Beckett to explore exactly how we are following up the World Summit on Sustainable Development, in Johannesburg, which many of us attended.**

**At the end of the meeting I told the Secretary of State I was speaking here this afternoon and asked what words of comfort I could bring you. She prefaced her commitment to provide me with a note with the rider "I know it won't be enough." revealing the frustrations of trying to implement policies across Government.**

**It is immensely disappointing to me that the situation of CHP is even more dire than when I last addressed this conference.**