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UK Policy Perspective on Energy and Climate Change

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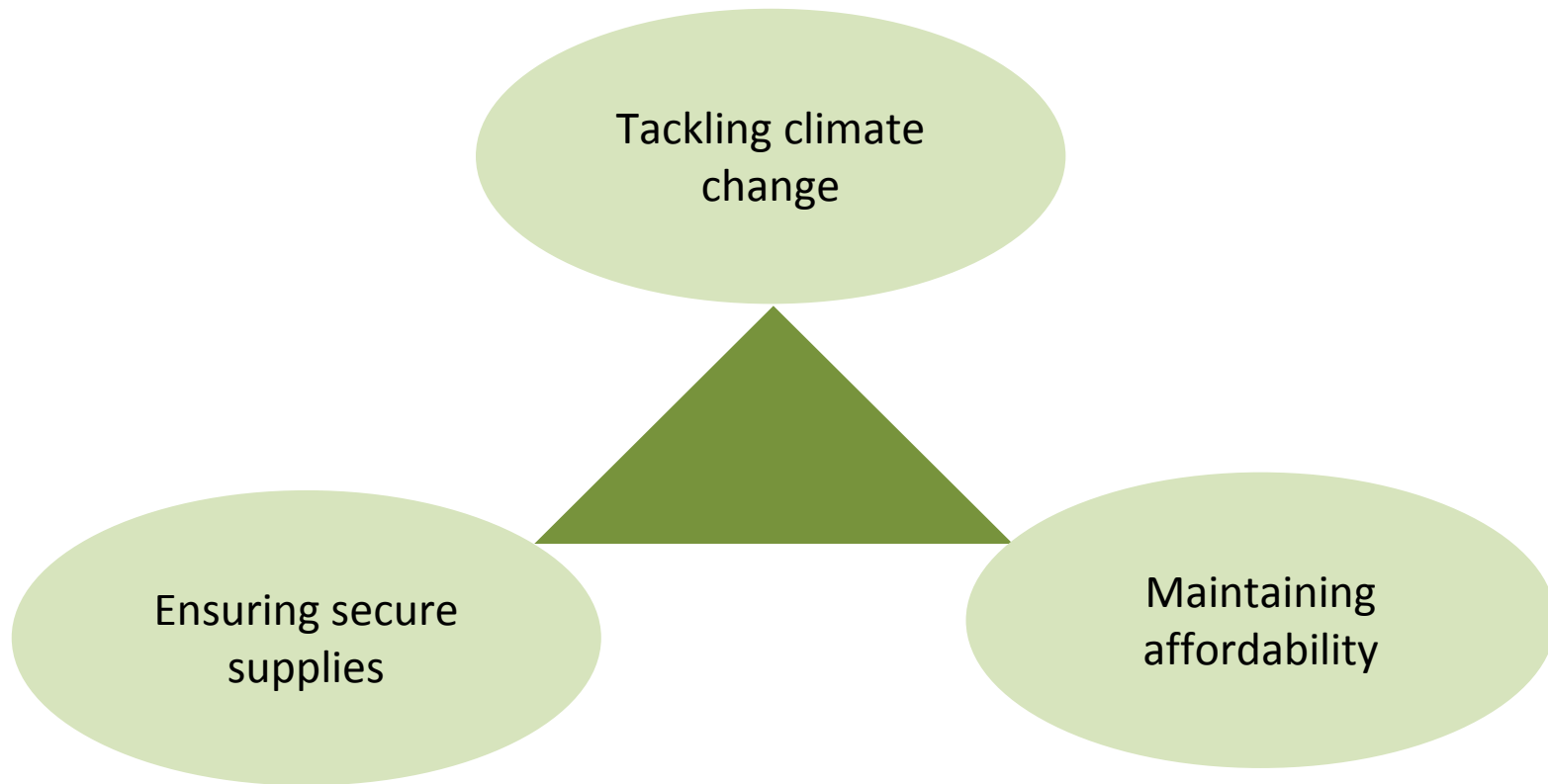
Outline



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- Why is the UK making changes to its climate and energy framework?
- What policies is the UK using to make changes?
- What is the role of EU actions?

Our objective - to achieve secure, low carbon, affordable electricity



Climate change goals: 80% emissions reduction (from 1990) by 2050 and 5 year carbon budgets, 15% renewable energy by 2020

Maximising the Potential of Green Business



- What is the value of the green sector?
 - UK low carbon market valued at £112bn 2008/09
 - Innovas estimates global market at £3.3tr
 - Expected to grow 4% p/yr for 5 years
 - 910,000 employed in UK low carbon industries
- UNEP: at least 2.3million employed in renewable energy
- 400,000 new low carbon UK jobs created by 2015
- Potential for high skilled growth across Europe

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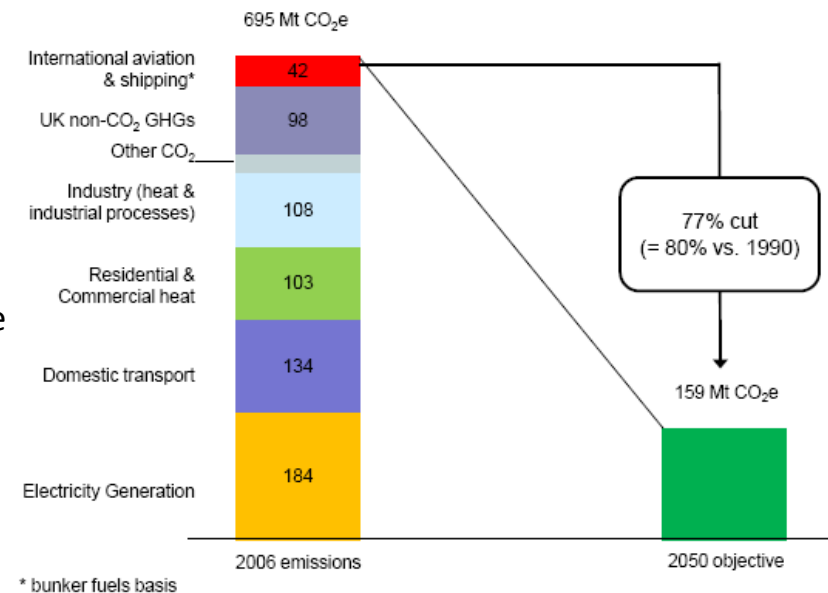


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The Climate Change Act 2008 and supporting framework meets several UK objectives

- To meet domestic and international climate change commitments.
- To provide greater clarity and certainty for UK industry, households and individuals to effectively plan for and invest in a low carbon economy.
- To ensure that the UK can take advantage of the significant business opportunities from the low carbon transition.
- To help the UK adapt to the impacts of unavoidable climate change.
- To demonstrate international leadership.



Carbon Budgets

Proposed by Government; approved by Parliament



A concrete reporting cycle set through UK law

- Setting limits on emissions for each five year period
- Set fifteen years in advance to give long-term clarity
- Regular reporting to Parliament, and scrutiny by the Committee on Climate Change

Genuine financial consequences if budgets aren't met

- Climate Change Act means carbon budgets are legally binding
- Any shortfall must be met by purchase of international credits
- For a significant shortfall, this could run to £billions

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Going beyond international commitments and ensuring their delivery

- Higher level of ambition than our international commitments require
- Clear framework enshrined in domestic law for delivering economy-wide emissions cuts

How to pay for investment in new electricity: delivering at least cost to consumers

We have a huge investment challenge

- £200B for energy infrastructure
- £110B for electricity generation and transmission

Our task is to deliver the investment we need at the lowest possible price for consumers

Electricity Market Reform

- Provides long term price stability to electricity generators
- Technologies compete on cost
 - no single technology favoured in long term
- Capacity markets ensure that we have enough energy
- Bill to be introduced later this month

Green Investment Bank



- Intervene where financing is restricted or unavailable
- Assume risks that the market will not but makes decisions on a commercial basis

•The bank is being created to mobilise additional private sector investment . It will be capitalised with **£3bn of government funding**. As with similar funds (Slovenian Development Bank; EIB) this has the potential to leverage significant extra sums of capital.

Priority sectors:

- offshore wind power
- Waste (treatment and recycling and energy from waste)
- non-domestic energy efficiency

So far, committed £180 million to specialist fund managers to co-invest equity in smaller waste infrastructure, energy from waste, and non domestic energy efficiency projects.

Green Investment Bank has just been awarded State Aid Clearance and expect to be fully operational in the next few weeks.

Green Deal



- Incentive for households to invest in their energy efficiency (.e.g insulation, replacing boilers, double glazing, draft exclusion)
- Repayments will be automatically added to the electricity bill for the home (and passed on should you move house before the costs have been repayed)
- Repayments will be no more than what a typical household should save in energy costs
- Scheme start January 2013.

Energy Intensive industries



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Analysis

Analysis of cumulative costs of climate change and energy policies on energy intensive industries

Sectoral Reviews

In-depth sectoral reviews of abatement potential and barriers in four energy intensive industry sectors with industry representatives and academic experts

Managing the transition

Review of new and existing policies and how they support energy intensive industry sectors to decarbonise

Compensation for high cost of policies

Government committed to compensate key electricity-intensive businesses to help offset the indirect cost of the Carbon Price Floor and the EU Emissions Trading System, subject to state aid guidelines.

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Working with Europe



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- Government role to provide clear, stable framework for investment
- Unleash the power of the single market – both in energy and in green technologies
- Budget to be used for investing in green infrastructure & R&D

Emissions Trading System



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A well functioning carbon market would

Provide a **higher carbon price** needed to stimulate the necessary investment in green technologies and green jobs

Raise the reputation of the EU in action for international negotiation (including international credits, we have already met our 2020 emission reduction targets)

Increase revenue for Member States

The UK supports an ambitious proposal that would cancel allowances rather than backload them.