



THE HOUSE

Parliament's Magazine

No.3

Guide to The Department for **Energy** and **Climate Change**

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www.politicshome.com

editorial@housemag.co.uk

PUBLISHER

Gerry Murray

POLITICAL EDITOR

Sam Macrory

DODS PARLIAMENTARY EDITOR

IN CHIEF

Paul Waugh

PARLIAMENTARY EDITOR,

POLITICS HOME

Tony Grew

COMMISSIONING AND SPECIAL

PROJECTS EDITOR

Sally Dawson

HEAD OF PRODUCTION

John Levers

DESIGN

Charlotte O'Neill

Matt Tittley

Max Dubiel

ADVERTISING

Adam Kinlan

Dominic Slonecki

CAMPAIGNS MANAGER

Lenny Rolles

COMMERCIAL DEVELOPMENT

DIRECTOR

Rob Ellis

MANAGING DIRECTOR

Philip Eisenhart

The House Magazine

21 Dartmouth Street, London,

SW1H 9BP

EDITORIAL

editorial@housemag.co.uk

Tel 020 7593 5664

ADVERTISING

housemagazinesales2

@dods.co.uk

Tel 07585306266

SUBSCRIPTIONS

Tel 020 8955 7007

Dodssubs@alliance-media.co.uk

Dods subs

PO Box 2068

Bushey

Herts, WD23 3ZF

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EDITOR Gisela Stuart MP

ASSOCIATE EDITORS Graham Brady MP, Charles Kennedy MP, Austin Mitchell MP, Priti Patel MP, Jenny Willott MP

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Recess may have kicked in, but life continues across Whitehall, no more so than at the Department for Energy and Climate Change.

Feuds over subsidies for renewable energy have seen Ed Davey, the Secretary of State, take on George Osborne, the Chancellor, and may well have contributed to the departure of Moira Wallace, the Permanent Secretary. DECC staffers will hope for a quieter summer, but with energy policies managing to divide both parts of the coalition government, this small department looks set to play a huge role in the next few years. We hope this guide provides a useful insight into how DECC works, and what its challenges are.

GISELA STUART MP Editor

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PoliticsHome



"While 'joined-up government' became a rather tired cliché in the Blair years, successful co-ordination of policy will be essential to the low carbon transition"



Peter Pearson and Jim Watson review the last three decades of UK energy policy

The increasing evidence for climate change, together with concerns about energy security, has led many governments to re-examine and adjust their energy policies. The UK is no exception. Policy activity has accelerated almost breathlessly, with a succession of White Papers, consultations, Acts of Parliament and new institutions, including DECC and the Committee on Climate Change. Whilst the current drivers of energy policy are somewhat different from those of the past, the fundamental questions are not new.

In a recent pamphlet we take a longer term perspective on three decades of UK energy policies. The pamphlet identifies some key trends in the development of UK energy policies and reflects on what lessons might be learned. We identified four themes within this history.

First, the significant changes the UK has



Ever-changing climate

experienced in the structure of energy supply and demand since 1980. We have seen notable shifts away from coal and towards natural gas, and a transition from net energy importer to net exporter and back again. Prices have fluctuated widely – from the highs of the 1970s oil shocks to the lows of the late 1980s and then to the more recent period of rapid increases. The structure and governance of the energy industry has undergone profound change – with a much diminished role for the State and the advent of competition in industries where it was not previously thought to be practical or desirable.

Second, trends in energy policy cannot be analysed in isolation from broader trends in politics and political philosophy. The three decades included long periods in which both of the two dominant political parties were in power – the Conservatives from 1979-1997, and then Labour from 1997-2010. Their approach to fundamental issues like the role of the State, the extent to which markets are best placed to achieve social goals, and the relative importance of sustainability and security, all had important effects on energy policies. ➤

“ Successive governments were faced with the difficult task of balancing multiple policy objectives and instruments ”



Third, successive governments were faced with the difficult task of balancing multiple policy objectives and instruments. The key objectives included ensuring the competitiveness of the UK through low energy prices, securing sufficient reliable supplies of energy from home and abroad, addressing the environmental impacts of energy use, and dealing with the social implications of fuel poverty. This balancing act was not always possible – trade offs between objectives were inevitable.

Fourth, energy policy had a chequered history of salience. It was very important in the 1980s because of the dominance of the State owned firms which were chosen for flagship privatisations. Once the sales were complete, many thought that energy markets were no longer special. They should be subject to safeguards, but did not need special attention. It is no accident that energy's position within Whitehall was downgraded – from having its own department in 1980 to being part of the wider portfolio of one junior Minister in 1997. The advent of climate change and the return of security concerns reversed this decline. Now energy again has a department of its own, albeit combined with climate change.

But what do these observations mean for the future? We draw attention to three sets of challenges that confront UK energy policy.

First, history reinforces the scale of ambition associated with the planned low carbon transition for the UK. Not only is the UK committed to reduce its greenhouse gas emissions by 80% by 2050, there is also a need to respond successfully to other energy policy imperatives: particularly energy security and fuel poverty. Furthermore, it is one thing to establish targets – but quite another to meet them successfully. Over the three decades, many targets and plans were disrupted by what Harold Macmillan called 'events'. Fuel poverty targets set in 2001 became much more difficult to meet due to high fuel prices. The original 2010 renewable energy target (10% of electricity) was not achieved due to overcoming barriers concerned with planning, grid connection, and financial risk. The original 1979 programme of ten nuclear power plants yielded just one Pressurised Water Reactor at Sizewell B.

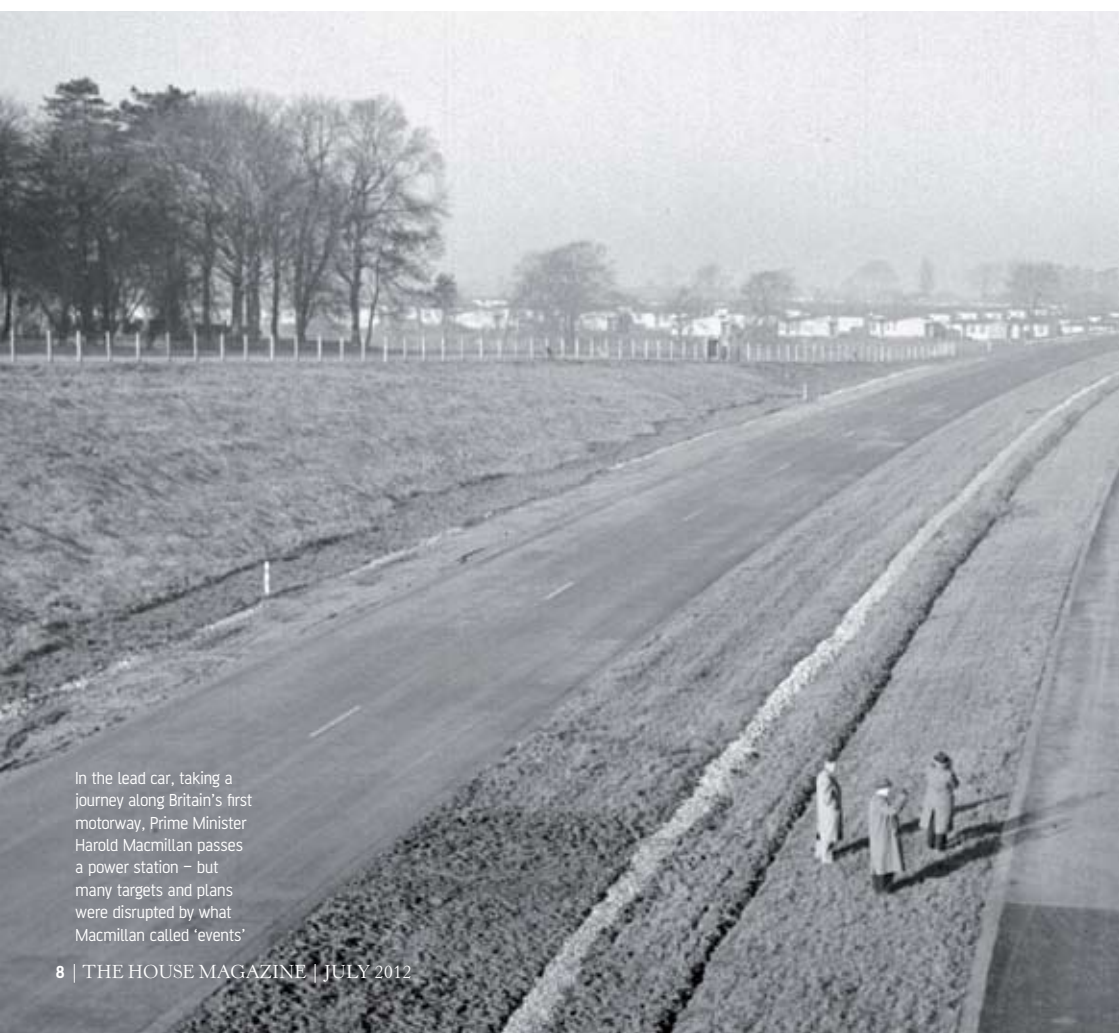
Having said this, history also shows that far reaching change can be achieved. The privatisation and liberalisation of the utility industries had profound consequences for investment behaviour, consumers and (indirectly) for emissions. The low carbon transition is likely to require an equally ambitious reform of markets and institutions – and it remains to be seen whether the plans outlined in the electricity market reform White Paper will be enough to achieve

Left: Mrs Thatcher takes a tour of Battersea Power Station. Her views on the "role of the State, the extent to which markets are best placed to achieve social goals, and the relative importance of sustainability and security, all had important effects on energy policies"

“ Energy policy is not confined to the domain of the energy department within government ”

this. It will also require widespread change in the energy sector’s capital stock, in consumer behaviour and in business models. This may make the UK privatisation and liberalisation processes seem to be relatively straightforward by comparison.

A second challenge is that energy policy is not confined to the domain of the energy department within government. The on-going financial crisis and the current government plans for deficit reduction mean that the powerful role of the Treasury in energy



In the lead car, taking a journey along Britain’s first motorway, Prime Minister Harold Macmillan passes a power station – but many targets and plans were disrupted by what Macmillan called ‘events’

policy will continue. Added to this, there are energy policy dimensions to the work of the Departments of Business, Innovation and Skills, Transport and the Foreign Office. Whilst 'joined up government' became a rather tired cliché in the Blair years, successful co-ordination of policy will be essential to the low carbon transition. This is especially the case with respect to associated job creation and industrial policy, an area which all political parties now emphasise as a priority. But the UK was not as successful as many ➤





Meeting energy targets is never easy... the original 1979 programme of ten nuclear power plants yielded just one Pressurised Water Reactor at Sizewell B

other OECD countries at achieving this over the three decades.

Finally, the low carbon transition will be full of tensions which policy will need to address. In addition to the familiar tensions between objectives, the relative contributions of centralised, top down action (such as electricity market reform to support large-scale low carbon investment by multinational utilities) and decentralised, bottom up initiatives (such as community energy projects or action by Local Authorities) are unclear. As DECC's 2050 Calculator shows, there are many ways in principle for the UK to achieve the low carbon transition. But if the ambition is to have a low carbon energy system that

includes both top down and bottom up contributions, there will need to be careful thought with respect to the implications for institutions, policies and market rules. Our history shows that one constant (but understandable) feature of UK energy policy has been a focus on large scale supply infrastructures. Recognising this 'comfort zone' is very important if the low carbon transition is to be achieved through a more mixed approach. 🏗️

Professor Peter Pearson is the Director of the Low Carbon Research at the Institute of Wales, Cardiff University, and **Professor Jim Watson** is the Director of the Sussex Energy Group, University of Sussex



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DECC deconstructed

Lessons from History



Ed Davey needs to learn from previous Energy Secretaries if he is to succeed, warns **Will Straw**

The Department of Energy and Climate Change has had a bad end to the Parliamentary year. In July alone, DECC suffered a public spat with the Treasury on renewable subsidies, a scathing report from the Select Committee on their draft bill, and the resignation of their Permanent Secretary.

If Ed Davey is to avoid being seen as the weakest of his departments' three Secretaries of State to date, he will need to have a far better autumn and learn from the department's previous successes.

DECC was formed by Gordon Brown in October 2008 in the same reshuffle that brought Peter Mandelson back to Westminster. It brought together officials working on energy policy in the old DTI with international climate change negotiators from Defra. In his first major cabinet position, Ed Miliband created a

high profile for the department aided by the bipartisanship offered by David Cameron who whipped his colleagues in support of the Climate Change Act.

Miliband raised the department's international ambition and took a key role in the UN negotiations in Copenhagen. Despite their ultimate failure, Miliband and the UK delegation were praised for their role trying to save the talks from collapse. The future Labour leader's approach marked a departure from that of his colleagues. As the responsible

“ Ed Davey will need to have a far better autumn and learn from the department's previous successes ”

Minister in 2007, John Hutton had, according to leaked documents, sought to work with Poland and other governments sceptical about climate change to persuade German chancellor Angela Merkel and others to set lower EU renewable targets.

Chris Huhne continued Miliband's record of extending Britain's climate ambitions at home and abroad. His biggest

achievement was getting the fourth carbon budget, which sets a cap on greenhouse gas emissions emitted in the UK up to 2027, through a tricky cabinet battle. He also succeeded in securing a relatively decent spending review settlement for DECC which included the creation of the Green Investment Bank (although without borrowing powers until the next parliament). On the debit side of the ledger, one of Huhne's final acts was to mismanage the fiasco over feed-in tariffs which has resulted in the department's decision being successfully judicially reviewed.

By contrast, Davey's tenure has looked far less assured. It is said that he favours a consensual style with departmental and cabinet colleagues, but this has resulted in him being outmanoeuvred by the Treasury. His first major decision, taken before he'd even appointed a special advisor, has paved the way for polluting gas to be produced until 2045. And as a result of Treasury interference his draft energy bill has been described by Conservative MP and Select Committee Chair, Tim Yeo, as "unworkable," "complex" and "fatally flawed."

By virtue of being a small department with a budget this year of just £3bn (just

one fifth of the Business Department's), Huhne and Miliband both built alliances with cabinet colleagues to win their battles. Davey will need to heed that lesson if he is to ensure that the Energy Bill and related announcements this autumn do not continue to march to the Treasury's tune. 🏠

Will Straw is Associate Director for Globalisation and Climate Change, IPPR

Labour leader Ed Miliband was the first Energy Secretary, and worked successfully in raising the department's profile



In need of sharper elbows



DECC is a valuable government department, but one which could do more, writes **Tony Juniper**

Many close to the energy and environment debate in the UK welcomed the establishment of a new department to deal with the closely linked questions of energy security and low carbon development. And since 2008 their enthusiasm has been in large part justified, as the benefits of a new ministerial voice and civil service machinery geared toward meeting tough pollution reduction targets and challenging energy goals have become visible.

There have of course been major challenges and some areas in which observers have expressed some considerable concern.

One area that has united many small businesses and campaigners in a joint critique of DECC has been in relation to its handling of incentives to promote the expansion of different kinds of renewable power. DECC's shifting of goal posts and lack of long-term vision has harmed investment and cost thousands of jobs, it has been argued. The Solar



Feed-in Tariff being the most high profile case in point, but by no means the only one.

The Energy Bill that is in Parliament now has been similarly criticized for its lack of clarity and the uncertainty it has created. Commentators point to how measures in the bill have been stretched in favour of expensive nuclear power stations, that would not be needed if DECC had a clearer and more ambitious policies on renewable power and energy efficiency. Concerns have been expressed about the influence of the big six energy providers.

It has also been claimed that many officials in DECC carried with them the strong pro-nuclear stance that characterised decades of policy-making in the old DTI from where DECC takes considerable institutional momentum. Both these factors have worked against the rapid expansion of renewable energy, it is claimed.



DECC is now in discussion with Chinese companies to build nuclear power stations in the UK

The forces outside DECC that push back against the expansion of sustainable and renewable energy have been even more powerful. For example a large number of Conservative backbench MPs have been vociferous in their opposition to on-shore wind power and have campaigned aggressively to reduce the official support available for this technology. The fact that Chancellor George Osborne has been at pains to resist on-going support for wind power has been seen as pandering to this internal conservative lobby.

The Treasury push back against renewables has been framed by Osborne's skepticism toward environmental goals, in part founded on his belief that the pursuit of green priorities will harm British companies - a claim directly contested by industry leaders, including CBI leader John Cridland. He is among those who point to the missed opportunity that arises from the failure to modernise the UK's energy

“ The forces outside DECC that push back against the expansion of sustainable and renewable energy have been even more powerful ”

infrastructure as a driver for job creation and industrial renewal.

The fact that DECC is now in discussion with Chinese companies to build nuclear power stations in the UK, at a potential total cost of hundreds of billions of pounds for electricity bill-payers, when those kinds of resources could be harnessed for the creation of British jobs and the expansion of British renewable energy companies, might prove to be a major political mistake that has consequence at the next General Election.

So while DECC has been on balance a good thing, it has not yet managed to achieve the space it needs, to gain sufficient influence with the Treasury or to build the public narrative needed to sustain sufficient support for clean and sustainable energy that is required for reasons of economic security, climate protection and job creation. 🏠

Tony Juniper is a campaigner, writer and sustainability adviser. He was Director of Friends of the Earth from 2003 to 2008.





"We can't boast about it, but we got a better settlement than the NHS", said the then Energy Secretary Chris Huhne in the first days of the Coalition

Snatching defeat?



After a promising start to Coalition life, DECC risks wasting its early advantages, writes **Damian Carrington**

Snatching defeat from the jaws of victory is an ignominious feat but one the department of energy and climate change is in danger of achieving. It is responsible for delivering two of the biggest and most far-reaching policies that the coalition has on its books: creating an energy system fit for the 21st century and transforming 14m of the nation's ageing and draughty houses into cosy, energy efficient homes.

It started well with David Cameron visiting the department within days of becoming Prime Minister to declare his ambition to lead the "greenest government ever". The combative Chris Huhne then won an excellent budget for DECC in the comprehensive spending review. "We can't boast about it, but we got a better settlement than the NHS," Huhne told me, not long before his resignation.

Contrast that with the traumas at Defra, which took the biggest budget hit of all major departments and has led Caroline Spelman to the humiliation of abandoning the sell-off of England's publicly owned forests and to hoping that record rainfall does not expose a major gap in the flood defences she had to cut.

Ed Davey is now in charge, a man who prefers compromise to his predecessor's predilection for conflict. Whether his different approach is as successful will determine the success of Decc's programme.

Both the major bills are at heart good solutions to pressing problems. The UK's energy system has been neglected as the privatised utilities sweated their assets rather than investing in upgrades. Climate change, rocketing gas prices and the imminent retirement of many elderly nuclear and dirty coal power stations all mean wholesale change is essential.

But the legislation to reform the energy market has been contorted to deliver new nuclear plants while unconvincingly maintaining the semblance of "no public subsidy", as promised by the coalition. The Treasury's fingerprints are all over another

major problem: not allowing the government to back contracts to build the £110bn-worth low-carbon energy needed.

The Green Deal, aimed at cutting both energy bills and emissions, aspires to treat 14m of the nation's homes by the early 2020s. Yet persuading millions of people to let the builders in is a tough task, and the 7% or so interest rate for the loans offered looks far from persuasive. Germany offers subsidised loans at 1%.

But the policies are not yet broken and the game is still in play for Davey, assisted by the irrepressible Greg Barker and quietly effective Charles Hendry, who has since been reshuffled.

There have been mistakes, though few compared to elsewhere in Whitehall. Most glaring was the failure to grasp the nettle of soaring subsidies for solar power earlier, which led to a rushed fix and a legal loss in the High Court. Precipitous changes to policy

harms the confidence of those investors being asked to sign big cheques and ultimately raises the costs to those footing the bill: household energy bill payers.

In recent weeks, as I first revealed, the Treasury has been making life difficult again by demanding a much higher cut in the subsidy to onshore [note – not offshore] wind farms than had been agreed, largely to assuage a minority of Tory MPs who live in fear of their constituency postbags.

Is Davey's blokeish charm and straightforwardness more likely to get what he needs from George Osborne than Huhne's table thumping and mastery of the dark arts of politics? If it is, then victory may yet be snatched from the ever-widening jaws of defeat. But I wouldn't bet on it. 🍀

Damian Carrington is head of environment at the *Guardian*

“ There have been mistakes, though few compared to elsewhere in Whitehall ”



The present Energy Secretary Ed Davey prefers compromise to his predecessor Chris Huhne's predilection for conflict



No more than hot air?



For DECC to develop policy is one thing - implementing it is quite another, writes **Nicholas Schoon**

For the first year of the coalition government, DECC was something of a star among Whitehall departments.

Both the Conservatives and the Liberal Democrats' manifestos of 2010 contained ambitious and overlapping policy proposals for curbing the UK's carbon emissions and fostering new green industries. When the coalition agreement was thrown together in May that year it ended up with some eye-catching commitments in these areas.

DECC went on to achieve a relatively generous settlement in the Comprehensive Spending Review that autumn. It has also been given the Parliamentary time to get two major energy bills on the statute book – one already enacted, one published in draft and due to start its legislative journey in the autumn.

Chris Huhne, the coalition's first Energy Secretary, exuded confidence and competence, established good team working with his two Tory ministers and batted strongly in cabinet for both his department and his party. But DECC's wheels were already starting to wobble loose before he quit in February this year. And his successor, Lib Dem Ed Davey, has yet to reattach them. It is one thing to develop policy, but quite another to implement it successfully.

DECC's greatest challenge is to oversee a vast transformation in the UK's power



infrastructure over the next 20 years, persuading investors to spend over £100bn in new, low carbon kit to replace ageing coal-fired and nuclear plant which must close down on environmental or safety grounds.

It had just begun to start happening. The main evidence lies on or beyond the horizon, where huge, expensive offshore windfarms are gradually being installed; heroic engineering for which there is very little public awareness.

But this transformation is happening too slowly and meeting increasing resistance both within and outside government. The UK's own, statutory carbon cutting targets look increasingly likely to be missed, as does the EU's legal target for renewable energy supply.

Work has yet to begin on a new generation of nuclear power stations – if they come they will be fewer, and later, than the government

“ In British politics, being seriously green for an entire parliament appears unsustainable ”

had hoped. For years, DECC has been trying to get a government-subsidised pilot carbon capture and storage plant built, which would capture much of the carbon dioxide emissions from one big fossil fuel power station and lock it away in rock strata deep underground. The competition it ran to find private sector contractors has experienced massive delays.

Closer to home, the Green Deal – a clever scheme to encourage households to take out private sector loans to radically increase their homes' energy efficiency in order to cut fuel bills and carbon – has run into trouble before it launches this autumn. Other departments and Number 10 have got cold feet about a crucial, complementary bit of policy which would compel households to increase their energy efficiency whenever they had an extension built.

Tory MPs and the tabloid press grumble about onshore windfarms and the hikes which low-carbon policies put on gas and electricity bills. Chancellor George Osborne sounds off against the threat to business competitiveness posed by the UK trying to be a world leader in cutting emissions. And DECC's star fades. In British politics, being seriously green for an entire parliament appears unsustainable. 🌱

Nicholas Schoon is a freelance environment journalist, a former environment correspondent of the *Independent* and former editor of the *ENDS Report*



The nuclear power station at Sellafield – but work has yet to begin on a new generation of nuclear power stations

ENERGY

T E R I A L

Clean Energy Technologies



Energy secretary Ed Davey at a recent conference with Prime Minister David Cameron. Davey appears to be flexing his muscles at DECC, but how committed is the PM to the green cause?

The green team?



Sam Macrory takes a look at the key figures at the Department for Energy and Climate Change

For a department to lose its Secretary of State is unfortunate. For its Permanent Secretary to follow a few months later is surely careless. Such is the fate of the Department for Energy and Climate Change.

First to go was Chris Huhne, whose career as Energy Secretary was ended by a controversial speeding ticket and a furious ex-wife. The reasons for his departure were clear cut, and his Liberal Democrat colleague Ed Davey was hastily promoted to succeed him.

Last week Huhne was followed out of DECC's Whitehall headquarters by Moira Wallace (pictured next page, top right), with the department's leading civil servant announcing her resignation in rather vague circumstances.

"It's undoubtedly a good thing", argues one former DECC insider, who suggests that Wallace was responsible for the headaches

which followed the department's attempts to introduce a new feed-in tariff system, but her sudden departure – and no replacement has yet been announced – has seen Davey forced to insist that reports of a rift between the two as "complete rubbish."

However, Wallace is known to have endured strained relations with ministers, and she will not be universally mourned. A career civil servant, she is now said to be looking at options in the private sector.

Whatever the circumstances surrounding Wallace's impending autumn departure, it marks another painful step in the short existence of the Department of Energy and Climate Change.

Created by Gordon Brown in 2008, DECC took energy from the old Department for Trade and Industry and climate change from DEFRA, and saw future Labour leader Ed Miliband appointed to head the ministerial team with Wallace as the department's senior civil servant.

Experts at the time warned of the dangers of fusing promotional and regulatory arms of government into one department, with >



DECC has been dogged by resignations, with Chris Huhne followed by Moira Wallace, who will stand down as the department's Permanent Secretary in the autumn

“ Lib Dems complain of a constant need to remind DECC staffers that a new generation of nuclear power stations would be built without public subsidy ”

The DECC team, pictured on the opposite page. From top to bottom: Moira Wallace, Phil Wynn-Dwen, Wendy Barnes, Simon Virley, and David McKay.

some suggesting that the inevitable collision is now resulting in the department's repeated political failures. A u-turn over subsidies for solar power, attempts to reform the electricity market, and a recent tirade from Tim Yeo, the chairman of the Energy Select Committee, on DECC's inability to flex its muscles have all dented its reputation.

The department's small size – it is, bar the Scotland, Wales and Northern Ireland offices, the second smallest in Whitehall after DCMS – causes problems. On the one hand it is staffed by civil servants who are passionate about what they are doing, especially on climate change, but on the other its low place in the pecking order means that the more ambitious of its civil servants keep an eye out for potential vacancies at more heavyweight departments.

Natural allies are found in DEFRA, DfID and the Foreign Office, where Foreign Secretary William Hague is emerging inside

the government as one of the most vocal supporters of a climate change-tackling agenda, but its opponents are stronger and more influential.

The Treasury and the Department for Business, Innovation and Skills are both determined to breathe life into Britain's ailing economy, and the idea of short term investment in energy production is far from appealing – as demonstrated by Chancellor George Osborne's recent attempt to cut public subsidies for renewable energy. The stand-off with Davey was a fascinating insight into the battleground at the next election: Osborne is firmly in tune with the 100 or so Tory backbenchers who earlier this year wrote to the Prime Minister to express their concerns about the government's support for wind farms, while Davey is doing his best to fight the Lib Dem corner. The subsidies were reduced, but not as much as Osborne sought, so while Davey's backing for gas was seen as win for the Chancellor the subsidy spat showed that Davey has the clout to take on the Chancellor – if he is prepared to compromise.

Davey is well supported by the two special advisers that he appointed to replace Huhne's team of Joel Kenrick and Duncan Brack, with Katie Waring and Chris Nicholson working alongside the new Secretary of State.

Waring worked for the Lib Dems before the election, and was appointed as Vince Cable's special adviser at BIS – where she also worked closely with Davey – before switching to DECC. With an impressive grasp of the brief and a no-nonsense approach to media relations, Waring is well-respected in the lobby.

Nicholson, described by one occasional colleague as an "orthodox economist with Liberal instincts", joins from his role as





As Energy Secretary, Ed Davey's biggest government opponent is George Osborne (right), the Chancellor, with the two recently feuding over the level of subsidies for renewable forms of energy

chief executive of the think tank Centre Forum, following stints at KPMG and as an economist at the old DTI. Nicholson's Lib Dem credentials are impeccable: he led Surbiton Council, during which time he worked closely with Davey, the local MP, and fought a tough but ultimately fruitless fight against Chuka Umunna in Streatham at the last election.

The government's 'man-marker' from the Policy Unit is Ben Moxham. With Oliver Letwin, the government's policy chief, said to be "very, very involved" with the department, Moxham is despatched to DECC to complete Letwin's occasionally vague orders. Intriguingly, Letwin knows Nicholson from their time working in banking, with Letwin at Rothschilds and Nicholson at KPMG, but despite his interest in the brief, 10 Downing Street is said to offer little input to the running of the department.

While Moxham is a regular presence at DECC, a former DECC insider complains of a lack of a "Michael Jacobs figure", Gordon Brown's former special adviser. Rohan Silva, formerly Steve Hilton's deputy at Downing Street, was an occasional visitor, but while Moxham, whose CV includes spells at the Riverstone private equity group and as director of policy for BP's Alternative Energy Group, has impressive knowledge of the subject he is not considered senior enough to carry serious clout back at the Number 10 Policy Unit.

One senior DECC figure brought in by Huhne but retained by Davey is Steve Fries, the department's dry and effective chief economist. Fries moved to DECC from a similar position at Shell, and has also worked for the European Bank for Reconstruction and Development (EBRD) and the International Monetary Fund. However, his chairmanship of the Institute of Energy Economics marked him out for the post, with

Huhne determined to bring a heavyweight economic brain into the department.

The department's chief scientist is David McKay, the Cambridge academic behind "Sustainable Energy – Without the Hot Air", a much-praised publication which saw McKay appointed to DECC nine months later. Considered to be pro-nuclear in his outlook, McKay fits in well with a department said to be broadly supportive of a push for new nuclear energy, with Liberal Democrats complaining of a constant need to remind DECC staffers that a new generation of nuclear power stations would be built without public subsidy.

Key civil servants include Ashley Ibbott, the Parliamentary Private Secretary, who has now worked for three secretaries of state. Loyal and trusted by all three, the imposingly tall Ibbott is an outside bet to replace Wallace.

Beneath Wallace, DECC has been split into two empires. Simon Virley, the Director General of the Energy Markets & Infrastructure Group, looks after the energy markets, and has a broad brief which takes in nuclear, renewables, carbon capture and storage, and oil and gas. Phil Wynn-Owen, the Director General of the International Climate Change and Energy Efficiency group, focuses his attention on international climate change. The two are described by one former DECC insider as both very much career servants, with Wynn-Owen having spent time at the DWP and Virley having spent the bulk of his career at the Treasury before a three year stint as a Private Secretary to Tony Blair. Intriguingly, however, Virley was briefly seconded to KPMG, during which time he worked under Chris Nicholson.

Acting Chief Operating Officer is Wendy Barnes, whose long background in the corporate sector took in stints with both the nuclear and water industries and ended >



“ DECC’s more ambitious civil servants keep an eye out for potential vacancies at more heavyweight departments ”

with a string of non-executive roles across various government departments.

Pete Betts, the department's Director of Climate Change, is described by one former colleague as "doing it because he really believes in it – he believes it is bigger than his own career." Betts was the first secretary for environment at the UK's Permanent Representative of the EU in Brussels, later becoming the head of UK negotiations and domestic policy on climate change before spending time at the Treasury and as Private Secretary to John Prescott at the Office of the Deputy Prime Minister.

Harvard-educated Hugh McNeil has a tough job as Chief Executive of the Office for Renewable Energy Deployment, but despite his commitment to a renewable mix of energy recognises the political constraints which he is operating in, while Tracey Vegro, the Director of Energy Efficiency and Consumers, has an equally tough challenge in selling the much-criticised Green Deal. Her links at BIS, where she previously worked, should help her make the DECC case with a sceptical department.

An intriguing figure at DECC is Ravi Gurumurthy, the department's chief strategist. Formerly an adviser to David Miliband, for whom he helped write speeches without ever formerly working as a Special Advisor, Gurumurthy is said to have transferred seamlessly from a Labour-run department to one serving as a part of a Lib-Con administration, and is considered to be one of DECC's brightest members of staff.

Head of News is Nick Turton. Well-regarded by ministers, Turton joined from the Department for Business and Regulatory Reform, where he was deputy head of news. Turton heads a far smaller team than his predecessors, with DECC's communications



budget shrinking from £10m in 2009/10 to just £800000 in 2011/12. The department's planned comms budget for this financial year is just £530000, with the press team having shrunk from 43 to 25 over the last two years. Phil Wilson, the straight-talking chief press officer, remains. Wilson is a graduate of the Conservative Party, with his understanding of the Tories considered to be a useful asset to the civil service team. Turton is in daily contact with the special advisers, planning the press grid and coordinating

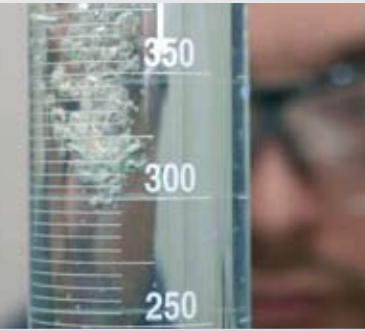


announcements and messages – signed off by SpAds and then ministers. Turton also attends the weekly ministerial meetings, with Gurumurthy also likely to attend.

That DECC is a department with experience and talent is not in question; whether it can punch above its weight remains in doubt. 🏰

Protestors in Oxford demand action against Climate Change from Gordon Brown, then the Labour Prime Minister. But do green concerns always match a desire to keep energy bills low?

Sam Macrory is political editor of *The House Magazine*



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Edward Davey

Ed Davey never planned to become a politician; journalist or agricultural economist yes, but not a politician. It was his strong views on environmental topics that pushed him into politics and towards the Lib Dems. “I joined the party in 1989, when our poll rating was just 4%, so I’m certainly not a career politician”, Davey writes on his homepage. Today, he is in charge of the DECC, proving that unplanned careers sometimes work out.

Upon graduating in Economics from Jesus College, Oxford, Davey saw a job advert in the *Guardian* for the post of parliamentary economic researcher for the Lib Dems. He applied, and ended up working for Alan Beith and Paddy Ashdown. It was during that time that Davey joined the party, convinced that its environmental credentials were the most impressive of the main political parties. In 1993, Davey left Parliament to pick up a job at Omega Partners, where he worked as a market and business analyst. At the same time, he worked on various Lib Dem policy groups.

In 1997, Davey returned to Parliament, following his election as MP for Kingston and Surbiton. Davey was soon promoted through the party ranks, becoming the Lib Dem spokesman for both Economic affairs and Treasury affairs, and serving as a party Whip.

Davey has always been a man of action and when some of his



Secretary of State for Energy and Climate Change

First elected: MP for Kingston and Surbiton in 1997

Responsibilities: DECC Strategy and Budgets, Energy Market Reform, Carbon Price Regulation, Energy Security

constituents were asked in an interview what made them change from Labour to Lib Dems, they pointed to Ed Davey's energy. Davey even holds a Royal Humane Society bravery award for rescuing a woman from an oncoming train. After his re-elections in 2001 and 2005, Davey continued to support the Lib Dem agenda, voting very strongly against a stricter asylum system, the Iraq war, and for a ban on hunting and a wholly elected House of Lords. But Davey was also

one of the Lib Dems' fiercest advocates on stricter laws to stop climate change, an issue that he had first campaigned for as a student.

The period between 2002 and 2010 saw Davey take a range of shadow briefs, with a stint as the party's shadow foreign affairs spokesman, despite Davey asking to shadow DECC, a career highlight before the formation of the Lib-Con coalition saw Davey handed a ministerial role at the Department for Business, Innovation and Skills. In that post he successfully steered






the Postal Services Act through Parliament to secure the future of Royal Mail.

Now at DECC, he talks enthusiastically about the coalition despite reports that the Treasury is repeatedly meddling in DECC's remit. "I think coalitions are about limiting the power of individuals, and indeed parties, so they have to think a little bit more about what's in the country's interest", Davey insists.

Critical of the "Mystic Megs – the people who write the stars in the tabloids" on the

future of energy policy, Davey is open-minded about energy, despite previous opposition to nuclear. Instinctively less confrontational than Chris Huhne, his predecessor as Energy Secretary, Davey hopes to lead by consensus.

He may also hope to lead full stop. Though describing himself as one of Nick Clegg's "Praetorian guard", Davey is ambitious and, according to some, well-placed to succeed the Lib Dem leader should Clegg decide his future lies elsewhere.  



“ I think coalitions are about limiting the power of individuals, and indeed parties, so they have to think a little bit more about what's in the country's interest ”

So far, Gregory Barker's record at DECC is impressive. Despite the current financial climate and the back-scaling of environmental policies, Barker can congratulate himself on the Government's £1bn support for an ambitious carbon-capture programme as well as £3bn for the UK's Green Investment Bank. But Barker is hungry for more and wants Britain to become "the Saudi Arabia of green energy" with London as "global hub of green finance". The key to this may lie in his business contacts which he built up prior to his career as an MP.

After studying History and Politics at London's Royal Holloway, Barker went on to work for several City companies as an analyst or corporate finance director. His first contact with the Tories led him to become Deputy chairman of the Hammersmith Conservative Association in 1993. Five years later, Barker became head of communications at the Anglo-Siberian Oil Company and assumed the role of head of International Investor Relations for Sibneft, the Russian oil company owned by the future Chelsea owner Roman Abramovich. In his position at Sibneft, he helped the company on its drive to modernity in the post-Soviet economy by making contacts with Western markets and investors.

After his first attempt to become an MP for the Labour stronghold of Eccles failed,

Barker became advisor to Tory MP David Willetts. In 2001, Barker gave it another try and stood in Bexhill and Battle in his native Sussex when his fellow Tory MP Charles Warde retired. Barker succeeded despite a brief flurry over criticism over his former business career and contacts with Russian billionaires. But Barker has a key asset few of his colleagues can boast: a genuinely close relationship with David Cameron. One of the handful of MPs who backed Cameron in his leadership bid in the summer of 2005, his loyalty was rewarded with the post of Shadow Minister for Climate Change and Environment in 2005.

Barker led the drafting of the Conservatives' "Low Carbon Economy" green paper. He also hit the headlines when he accompanied David Cameron on his famous husky-based climate change fact-finding mission to the Arctic. Following the 2010 election, Barker stepped up to his current position.

Although he is "100 per cent certain" about man-made climate change, Barker remains quite moderate and sees himself as a man between extremes. In the *Guardian* he said: "Whether it is the extreme climate sceptics or the extreme climate zealots, there is a slight religiosity there which is weird". ❄️

“ Whether it is the extreme climate sceptics or the extreme climate zealots, there is a slight religiosity there which is weird ”

Gregory Barker

Minister of State for Climate Change, fuel poverty and green economy

First elected: MP for Bexhill and Battle in 2001

Responsibilities: Climate Change agreements, Carbon reduction programmes, green energy sector, energy and fuel efficiency



One of the biggest surprises of the reshuffle saw John Hayes relocated from his brief in charge of skills to take on a post at DECC. Hayes knows skills and apprenticeships as well as any government minister, having mastered the brief in opposition and taken it on with gusto once in government. His departmental switch has led some to suspect that Hayes' move is a demotion, and it is hard to see how DECC's new man can be particularly thrilled with his relocation despite claiming that he was "proud" to take up his new post "at such a crucial time both for our energy security and for tackling climate change".

A former student politician and councillor, Hayes was first elected to Parliament in 1997 and has increased his majority in each of the following three

elections. A key player in the Cornerstone group of MPs who place 'faith, flag and family' at the heart of their political beliefs, Hayes was a member of Iain Duncan Smith's inner circle during the Pension Secretary's ill-starred stint as Tory leader and had previously been a key figure in the party's local election campaigns.

But what do we know about Hayes' green credentials? For a start, he has been firmly opposed to the development of wind farms in his Lincolnshire constituency, describing the turbines as a "terrible intrusion on our flat fenland landscape." However, green groups have identified a positive in the arrival of

“ I can't prejudice policy before it has happened ”

Hayes: his mastery of the skills agenda will, they hope, transfer easily into the training of green skills.

Hayes himself is approaching his new role with an open mind. "What I have said in the past is on record, but I can't prejudice policy before it has happened. In my new role I will be researching all aspects of energy conservation and renewables – it's a very important job", he declared on day one at DECC. However, with the departed Charles Hendry much admired by the sector for his understanding of energy policy – it has even been suggested that Hendry was dropped from DECC for being "too green" for his party's liking – Hayes will have a challenge to match his predecessor's accomplishments. 🏗️



John Hayes

Energy minister

First elected: as MP for South Holland and the Deepings in 1997

Responsibilities: Energy



Parliamentary Under Secretary
of State

First elected: was awarded a
life peerage in 2006

Responsibilities: Departmental
performance and delivery,
departmental business in the
Lords, commercial negotiations.

Baroness Verma

Another surprise appointment in the recent shuffle saw Sandip Verma join the DECC ministerial team. A former spokesperson for the Cabinet Office, with responsibilities for International Development and Equalities and Women's Issues, as well as a one time government whip, Verma has kept a relatively low profile despite being one of a small number of ethnic minority Conservative peers.

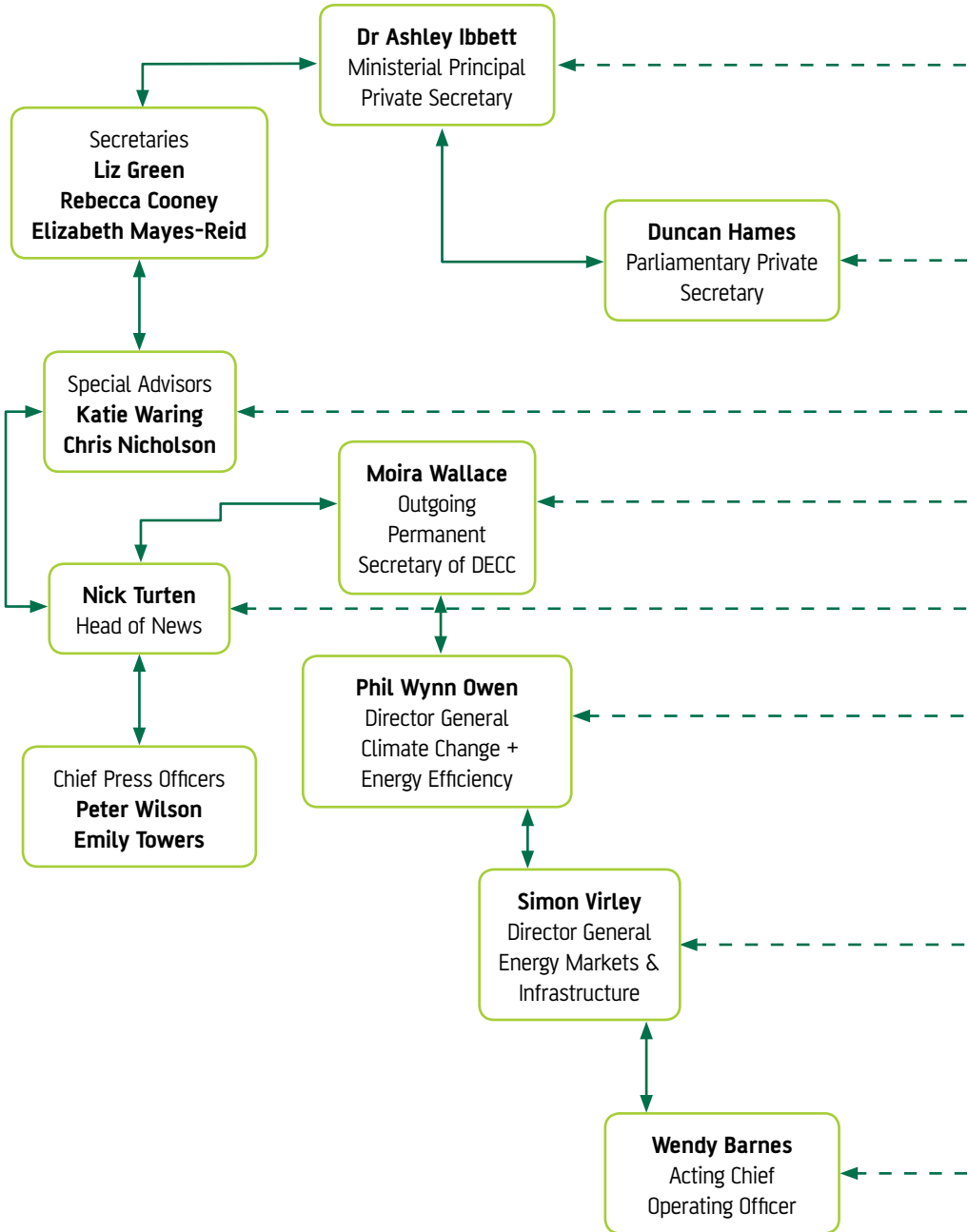
Verma joined the House of Lords in 2006, having twice failed to enter the House of Commons. Born in the Punjab in 1959, Baroness Verma was raised and educated in England. She says she has been "a rebel all my life", which begs the question: why become a Tory? "My strong belief in the value of entrepreneurship and in people standing on their own two feet makes me more at home in the modern Tory Party than it would do in the Labour camp" is Verma's answer.

Her family was not political, but Verma spent two decades involved in community politics before deciding to enter the national fray. Her experience, she boasts, is of the real life variety. "Although many of the politicians coming into the Commons today have opted for the very comfortable route of university followed by political researcher, their lack of

real-world experience of something as basic as tax credits can be a problem" Baroness Verma has argued. "My businesses and my longstanding community work have given me a good grasp of how most constituents live and I have always found this to be invaluable in politics."

**“ I have
been a rebel all
my life ”**

But is she green? Does she understand energy policy? For now, the jury is out. With the Energy Bill yet to make its way through the House of Lords, we will soon find out. 🇬🇧

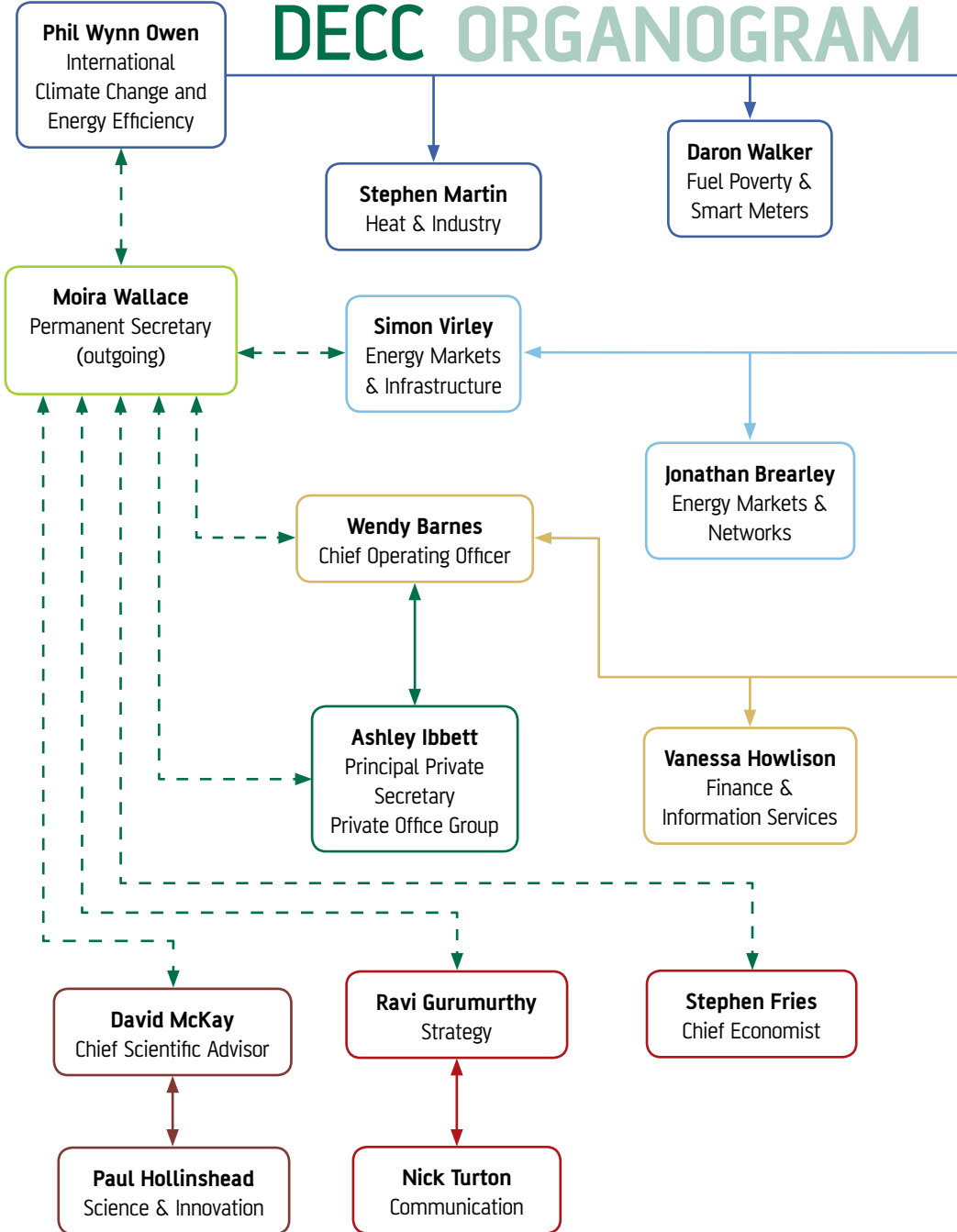


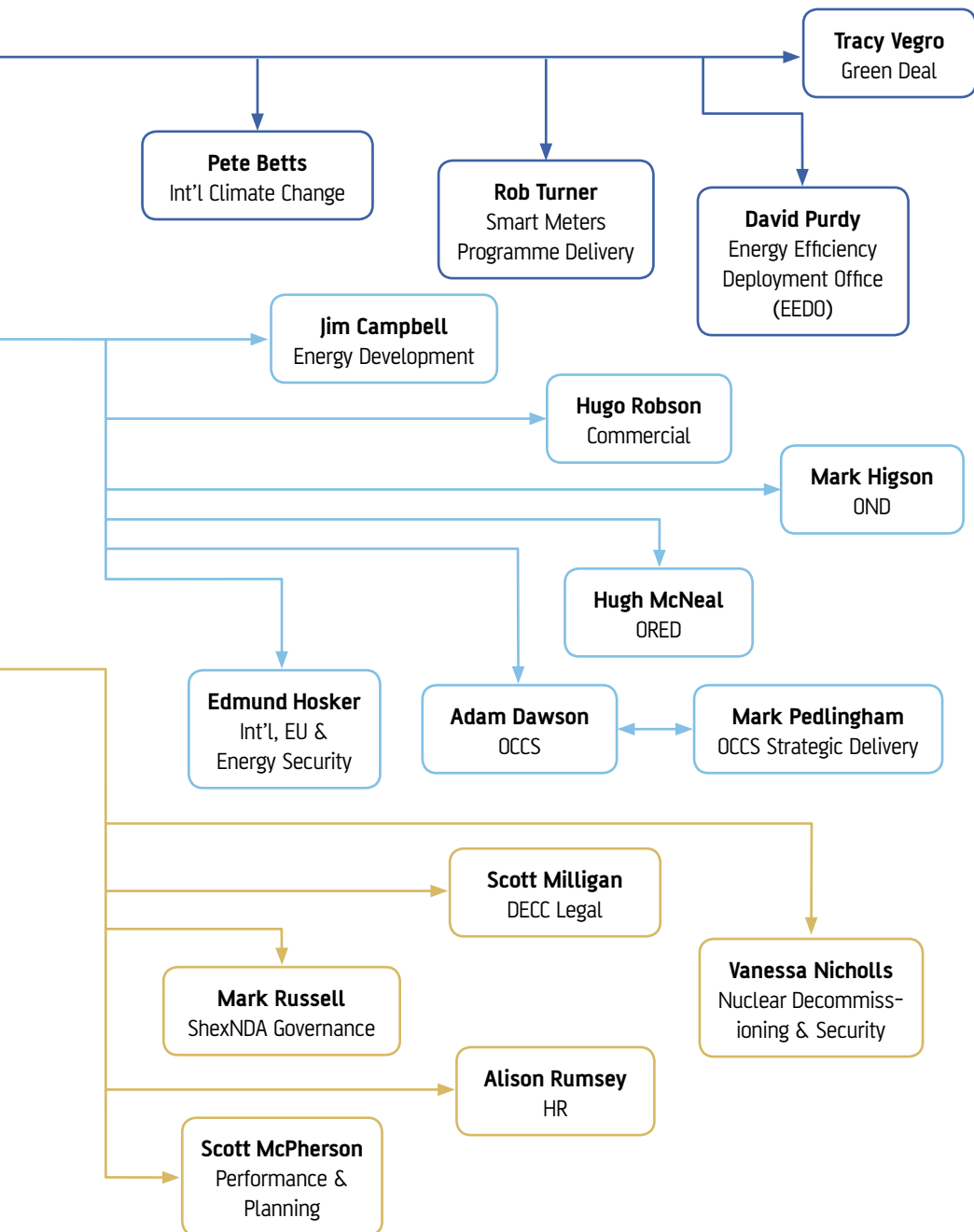
Ed Davey

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Power games



Greener than most? Ex-Environment Secretary Caroline Spelman reportedly wrote to the Prime Minister to urge him to stick to a green growth agenda.

Stuart Watson charts the creation of the draft energy bill, legislation which saw the government pulling in many directions

In the modern age one of the clearest tests of the competency of any government is whether it can keep the lights on. No administration could survive a repeat of the infamous blackouts of the 1970s.

The government's draft Energy Bill, introduced in the recent Queen's Speech is therefore of vital importance. It lays out the mechanisms that could shape the energy market for decades to come. In designing the bill policy makers have sought to meet the challenge of delivering on a complex set of objectives in an area subject to tight environmental, economic and political constraints.

Of the UK's electricity generating capacity, 21 per cent is scheduled to go offline within the next decade. Meanwhile the government believes that demand for electricity will rise, so that the Department for Energy and Climate Change (DECC) estimates that £110bn of new investment will be needed in new power generation infrastructure by 2020.

Security of supply is DECC's top priority. "That is the cliff edge that we face and if we don't get investment we will, in the course of the early 2020s, find we haven't got enough supply to meet demand", admits former Minister of State Charles Hendry. "But it also gives us a unique opportunity to rebuild that infrastructure in a genuinely low carbon way."

The government must meet its commitment to reducing carbon emissions under the Climate Change Act 2008. "This area of policy is quite innovative in that we





George Osborne and Vince Cable are said to be worried that too-stringent climate change goals might stifle economic growth

divisions among the cabinet last year over the 50% target, with George Osborne and Vince Cable reportedly anxious that too-stringent climate change goals might stifle economic growth, while then-energy secretary Chris Huhne argued in favour of sticking to the CCC's plan.

There is also a growing divide within the Conservative party over the issue of whether a move to low carbon energy generation will boost or hamper growth. In June two Tory Cabinet members, the then development secretary Andrew Mitchell, and the now reshuffled environment

secretary Caroline Spelman, wrote to David Cameron to back William Hague's earlier plea for greater support for green industries to help boost the economy. But earlier this year 100 Tory backbench MPs also wrote to the PM urging him to withdraw support for on-shore wind farms.

Meanwhile the corporate environment within the power generation industry has provided further difficulties for energy policy makers. The market is dominated by the "big six" energy suppliers – British Gas, EDF

Energy, E.ON, npower, Scottish Power and SSE – which not only control most of the generating capacity, but also sell almost all electricity to consumers.

The situation has led to concerns at DECC that the market is not functioning adequately to protect consumers because of the reluctance of many households to switch between suppliers. There is also a lack of transparency in the electricity market because with the big six

“ There is a growing divide within the Conservative Party over the issue of whether a move to low carbon energy generation will boost or hamper growth ”

generating and selling electricity to themselves it is difficult to determine the true wholesale price accurately.

Meanwhile the market has failed to deliver the level of investment that the government believes will be required to meet demand: “The big six have quite stretched balance sheets and we need new entrants into the market to deliver that scale of investment,” says Ravi Gurumurthy, head of strategy at DECC.

Policy-makers’ room for manoeuvre is also constrained by European Union competition law. While public subsidy for renewable

have very clear, legally-binding, quantified goals,” says Ravi Gurumurthy. The act calls for an 80% reduction on 1990 emissions levels by 2050, and is monitored by the Committee on Climate Change (CCC), which recommends intermediate targets known as carbon budgets. Last year the government accepted its recommended target of a 50 per cent reduction by the mid-2020s.

The price paid for fuel by domestic consumers is also high on the agenda. Rising bills over recent years combined with falling wages and a faltering economy have driven an increasing number of households into fuel poverty. “We have tried throughout the past two and a half years to achieve decarbonisation of electricity which is necessary to meet our Climate Change Act objectives alongside energy security – and to do both of those at [the smallest possible] cost to the consumer,” says Gurumurthy.

In a report on the proposals published in June the National Audit Office said the reforms could save an average household £100 a year, although it warned that some medium-sized businesses could face “crippling” increases of up to £302,000.

The deliberations of the civil servants at DECC have been played out against a backdrop of political disagreement over how swiftly emissions-reduction goals should be met and by what means. There were

What are the implications of electricity market reform for other Whitehall departments?

The Treasury sets the levy control framework for DECC, which caps the sums that can be raised from energy consumers. Any top up payments to generators made under CFDs will fall within it. The levy needed to support CFDs will depend upon the wholesale price of electricity, so it is not certain how much will be required. If the levy control framework limits are set too low then a small number of large projects could swallow up all of the money earmarked for the new contracts. HMT has also so far refused to guarantee the contracts (see above).

The National Infrastructure Directorate of the Planning Inspectorate, which is an executive agency of the **Department for Communities and Local Government** (DCLG) reviews applications for electricity generation projects over 50 megawatts in England and Wales, although the Secretary of State at DECC takes the final decision. DECC's energy policy work has already been reflected in the national planning policy statements recently prepared by DCLG and in the allocation of eight sites for potential new nuclear plants.

"The **Department for Transport** is very interested in our work on electricity market reform because electric cars only work if you have low cost low carbon electricity," says Gurumurthy. "What they don't want is to have a sudden rush for electric vehicles in the 2020s on the back of high oil prices and then us not to have built the generation capacity or grid or distribution network. DEFRA are interested in capturing some of the side benefits for air pollution some of our work, as we shift out of combustion engine cars, coal and gas."

Airing concerns – earlier this year 100 Tory backbench MPs wrote to the PM urging him to withdraw support for on-shore wind farms



technologies is deemed acceptable, any subsidy given to nuclear power could be struck down by the European Commission as constituting unfair state aid.

Even if DECC can boost levels of investment, it will encounter another hurdle: people's resistance to big energy infrastructure projects being constructed close to their homes.

DECC's strategy is based around the need to make up a shortfall in supply, but some energy market commentators believe that future need has been greatly exaggerated. "We produced a report in February showing that weak demand is taking the bite out of the capacity crunch," says Brian Potskowski, an analyst at Bloomberg New Energy Finance. "Because of the recession and energy efficiency measures you don't need as much. We see weak demand continuing and there is capacity coming on line."

Gurumurthy responds that government



has regulated to make lighting, appliances and boilers more fuel efficient and brought in schemes such as free home insulation provided through energy suppliers. However, in all of the potential scenarios envisaged there will be a shortfall, no matter what demand-side measures are undertaken: “You need both energy efficiency, and increased electricity supply in a big way,” he says. “All of our pathways see an increase in electricity demand of between a third and two thirds, and some require a doubling of capacity.”

The principal mechanism contained within the Energy Bill for decarbonising power generation is the contracts for difference (CFD) feed-in tariff. The facilities required for most large-scale low-carbon generation are extremely expensive to build – a new nuclear power station would cost £8-10bn, while a large offshore wind farm might require up to £1bn. Institutional investors are reluctant >

“Rising bills over recent years, combined with falling wages and a faltering economy, have driven an increasing number of households into fuel poverty”

to commit such sums up front because of the uncertainty that surrounds future fuel prices and therefore their potential returns.

The current system obliges energy suppliers to buy an increasing proportion of their electricity from renewable sources while ensuring renewable generators receive a fixed-rate feed-in tariff. This subsidised rate is paid for by a levy on electricity bills. Nuclear generators receive no subsidy.

Under CFDs the government will agree a fixed “strike price” for power produced by each kind of low-carbon generation, including

“Most of the big six energy company chiefs gave the bill their approval, albeit a qualified one”

nuclear, so that investors know what their returns will be. The wholesale electricity price for electricity from that source will continue to fluctuate. When the wholesale price is lower than the strike price then the generator will receive an effective “top up” subsidy paid for by a levy on customers’ bills. When it is higher than the strike price then generators will be obliged to pay back the difference, which will then be passed on to customers in the form of reduced bills.

In addition the Energy Bill outlines proposals for a “capacity market”. This is required because renewables’ output is determined by environmental conditions rather than energy managers’ – unlike gas and coal fired power stations, which can be switched on or off and can burn more fuel to deal with peaks in demand. Under the reforms gas-fired stations would be paid a fixed rate to provide backup

capacity should it be required – for example on a very cold winter morning when everyone switches on their electric heaters simultaneously.

The bill’s third main provision is the establishment of an emissions performance standard for all new power plants. The standard is set at 450g of CO₂ per KWh (kilowatt hour), which would require a cut in the emissions of the most polluting fuels like coal, but would have little effect on gas-fired plants, many of which already meet the standard.

DECC argues that the reforms do not favour one technology, instead providing support for all forms of low carbon generation and allowing them to compete with each other so that the lowest cost solution will eventually emerge as the most favoured. That argument has not convinced environmental pressure groups, however: “You have a one-size-fits-all model mainly designed to subsidise nuclear, but which will not be suited to renewable technologies,” says Nick Molho, head of energy policy at World Wildlife Fund UK.

At the end of June the Commons energy and climate change select committee conducted hearings as part of the pre-legislative scrutiny





on the Energy Bill. Most of the big six energy company chiefs gave the bill their approval, albeit a qualified one.

However, energy sector bosses were concerned about the detail of the bill, particularly the sections setting out which organisation will manage CFD subsidies and make top-up payments. At present a group of suppliers will be guarantee CFDs, rather than the government itself. Industry bosses fear that may make their investment decisions riskier, with consequences for the rate at which they can secure finance.

Steve Thomas, Professor of energy policy at the University of Greenwich says: "Any contract will have to be underwritten by government and come back to the public purse for it to be viable." So far that assurance is one that the Treasury has declined to give. Energy select committee chairman Tim Yeo was forced to write to the Treasury on 22 June requesting a response to this and other questions because no HMT representative was willing to attend the hearings. Charles Hendry accepts that more certainty is needed in this area: "What we have to clarify for industry is who [energy providers] would take action against in the event that a contract was changed. This is work in progress. We will publish the final components when the bill is published in its final form in the autumn," he says.

There are signs that the electricity industry is postponing investment decisions until more detail is known. DECC civil servants will need to work hard to fill in the gaps in the intervening time if legislation designed to bring forward investment is not to hamper it instead. ■

A version of this article first appeared in the latest issue of *Civil Service World*

Civil Service
WORLD 

All hands on DECC



What is the best approach to make DECC work for you? **Claire Jakobsen** explains

Born under the Labour administration in 2008, the Department for Energy and Climate Change (DECC) will reach its fourth birthday in October this year. In this time, DECC has successfully raised awareness of the UK's energy and climate agenda to both political and public audiences with launches such as the 'Act on CO₂' campaign and the passage of landmark legislation in the shape of the Climate Change Act. Since the May 2010 General Election, DECC has also become a test base for Coalition politics. Interestingly, the feedback internally has always been that it is one of the most consensual

departments. Power struggles are not witnessed so much internally, but significant tensions exist between DECC and other government departments.

When it comes to access from the outside, DECC is one of the most transparent and welcoming departments. Its website is accessible, the switchboard is helpful and its civil servants are generally very willing to meet and discuss issues relating to policy. However, if DECC was to come under criticism, it would be down to the lack of policy certainty perceived by industry. One of the biggest challenges the department faces is balancing a low carbon economy with meeting security of energy supply for the long term. There is a fundamental incompatibility with the lifecycle of energy investment plans and political cycles, which often results in short term solutions being preferred. ➤



Bright ideas? There's plenty at DECC, but often political lifespans are too short to see them through



“ When it comes to access from the outside, DECC is one of the most transparent and welcoming Departments ”

To orientate successfully around Coalition politics, particularly on the green agenda, it is essential to understand the tensions and ‘no brainers’ where energy and environment policy is concerned. In this age of austerity it is no longer sufficient simply to have a well-intentioned ‘green policy’. Economic viability is a must. This also allays the fears of those who have already broken away from Coalition objectives to be the ‘greenest Government ever’ and who



believe that tackling climate change and pushing green policy are luxuries the UK can no longer afford. Ed Davey, one of the Liberal Democrats' future leadership hopes, as DECC Secretary has the job of managing this sensitive balancing act. Two of the Coalition's flagship policies for example, the Green Deal and Electricity Market Reform, could well have been laughed out of the room had it not been for the persistence of Chris Huhne, then the Secretary of State, ➤

The Green Deal, a flagship Coalition policy which encourages people to insulate their homes to lower their bills, might well have been "laughed out of the room" if the Treasury had had its way



Aware of the conflicts between satisfying consumers and meeting energy targets, minister Greg Barker (below) hosts regular round table summits



Ministers, Special Advisers (SpAds) and Civil Servants to ensure that they made it past the doors of the Treasury.

Another major concern across Whitehall is the cost that will be imposed upon consumers in order to meet the much-needed investment in new energy infrastructure. On his first day as DECC Secretary, Ed Davey said he would ‘put consumers at the heart of policymaking’ and with the help of his SpAds, Katie Waring and Chris Nicholson, is continuing to pursue this line. Greg Barker, Climate Change Minister, is also acutely aware of this tension and regularly holds roundtable summits on fuel poverty, retail market reform and the

“ Power struggles are not witnessed so much internally, but significant tensions exist between DECC and other government departments ”

Green Deal to ensure both industry and consumer groups have a chance to air their concerns at the earliest possible stage of policy development. Already shrouded in criticism for changes in policy direction and a general lack of momentum, presenting DECC directly with problems will never be a rewarding approach. But serve up challenges with a raft of solutions and DECC shows itself to be a department very willing to listen. 🏢

Claire Jakobsson is a director at Bell Pottinger Public Affairs. She previously worked for more than five years as a senior adviser on energy and climate change in the Conservative Party’s Parliamentary Resources Unit

1) A proposal to make an exemption from the requirement for a licence to generate electricity for Curen Ltd, in respect of the Lynemouth power station

The Secretary of State, pursuant to section 5(2) and (3) of the Electricity Act 1989[External link] (“the Act”) as amended by the Utilities Act 2000, proposes, subject to representations, to make an order under section 5(1) of the Act granting exemption from section 4(1)(a) of the Act to Curen Limited in respect of the Lynemouth Power Station. The condition of granting the exemption is that the exemption is time limited and will expire on 31 March 2015.

Responses by 22/08/2012
chris.chown@decc.gsi.gov.uk

2) A call for evidence on barriers to securing long-term contracts for independent renewable generation investment

In Annex B (Feed-in Tariffs with contracts for difference: draft operational framework) to the EMR policy overview document (published on 22 May 2012) we noted reports from stakeholders of a deterioration in the market for long-term offtake contracts for independent renewable generation developers. We set out our understanding of the issues, and committed to further developing the evidence base through a call for evidence. The call for evidence provides an update to our understanding following further engagement with stakeholders. It also provides some initial high-level descriptions of potential options that could help address the problem including market-led solutions, approaches to promoting competition and possible regulatory interventions. The responses to this call for evidence will be used to develop our understanding of the scale and nature of the issues in the PPA market and support policy development in this area.

Responses by 16/08/2012
matthew.coyne@decc.gsi.gov.uk

DECC

current

consultations

The following DECC consultations are still open

3) Consultation on energy supply company administration

The purpose of this consultation is to give interested parties the opportunity to comment on draft energy supply company administration rules. The Energy Act 2011 included provisions for a special administration regime for energy supply companies, similar to that already in place for electricity and gas transmission and network distribution companies. Special administration regimes are an alternative to general insolvency law and procedures. They are generally designed to ensure uninterrupted and safe operation of essential services in the event of a company becoming insolvent. The provisions in the Energy Act set out the broad legal framework for energy supply company administration. The draft rules set out in detail how energy supply company administration will operate in practice and are similar to those already in place for ordinary administration. The draft Rules apply only to companies which the courts in England and Wales have jurisdiction to wind up. Separate rules are being prepared for companies which the courts in Scotland have jurisdiction to wind up. These will be published for consultation on our website later in the summer.

Responses by 07/09/2012
dawn.armstrong@decc.gsi.gov.uk

4) Consultation on the proposed justification process for the reuse of plutonium

The Government's response to its consultation on the management of the UK's plutonium stocks - published in December 2011 - sets out the preferred policy for the long-term management of the UK's civil plutonium stocks. This preferred policy identified reuse of plutonium as mixed oxide fuel (MOX) as the best available option for managing the UK's plutonium stocks. On 13th April 2012, the Nuclear Decommissioning Authority (NDA) [External link] wrote to DECC stating their intention to apply, under the Justification of Practices Involving Ionising Radiation Regulations 2004[External link], for a justification decision for the reuse of plutonium as MOX. DECC welcomes NDA's intention to apply for a justification decision. To support NDA, and any other potential applicants, in their development and submission of applications, DECC will produce guidance for applicants on both the application and decision-making process for a justification decision on the reuse of plutonium. This consultation is seeking views on this proposed process and will be open from the 28th May 2012 to the 20th August 2012.

Responses by: 20/08/2012
plutonium@decc.gsi.gov.uk

Contact

Department of Energy and Climate Change

Ministers

Secretary Of State

Edward Davey MP
020 7219 3512
daveye@parliament.uk

Special Advisers

Katie Waring
0300 068 5986
ps.decc.spads@decc.gsi.gov.uk

Chris Nicholson

0300 068 5986
ps.decc.spads@decc.gsi.gov.uk

Ministerial Principal Private Secretary

Ashley Ibbett
0300 068 5968
ps.decc.sos@decc.gsi.gov.uk

Minister Of State

John Hayes MP
020 7219 8238
john.hayes.mp@parliament.uk

Senior Private Secretary

Emily Veitch
Senior Private Secretary
0300 068 5982
ps.john.hayes@decc.gsi.gov.uk

Minister Of State

Gregory Barker MP
020 7219 1852
gregory.barker.mp@parliament.uk

PPS to Gregory Barker

George Freeman MP
020 7219 1940
george.freeman.mp@parliament.uk

Senior Private Secretary

David Watson MP
0300 068 5981
ps.gregory.barker@decc.gsi.gov.uk

Minister of State

Baroness Verma
020 7219 8738
Vermas@parliament.uk

Private Secretary

Patrick Whitehead
0300 068 5449
ps.jonathan.marland@decc.gsi.gov.uk

Parliamentary Clerk

Derek Turner
Parliamentary Clerk
0300 068 5991
derek.turner@decc.gsi.gov.uk

Civil Servants

Permanent Secretary (outgoing)

Moira Wallace
0300 068 5963
perm.sec@decc.gsi.gov.uk

Senior Private Secretary To The Personal Secretary

Jennifer Goffin
0300 068 5692
jennifer.goffin@decc.gsi.gov.uk

Communications

Nick Turton
Head, News and Press Office
0300 068 5224
nick.turton@decc.gsi.gov.uk

Paul Dee

Head, Corporate Communications
0300 068 5207
paul.dee@decc.gsi.gov.uk

Energy Markets And Infrastructure Group

Simon James Virley
Director-General
0300 068 5668
simon.virley@decc.gsi.gov.uk

Energy Development

Simon Toole
Head, Oil and Gas Licensing, Exploration and Development
0300 068 6054
simon.toole@decc.gsi.gov.uk

Energy Development

James MacRae Campbell
Director
0300 068 6066
jim.campbell@decc.gsi.gov.uk

Energy Development

Wendy Kennedy
Head, Oil and Gas Environment and Decommissioning
01224 254092
wendy.kennedy@decc.gsi.gov.uk

Energy Development

James MacRae Campbell
Director
0300 068 6066
jim.campbell@decc.gsi.gov.uk

Energy Development

Wendy Kennedy
Head, Oil and Gas Environment
and Decommissioning
01224 254092
wendy.kennedy@decc.gsi.gov.uk

Energy Development

Ian McKenzie
Head, Coal Liabilities
0300 068 6715
ian.mckenzie@decc.gsi.gov.uk

Office for Nuclear Development

Mark Higson
Chief Executive
0300 068 5868
mark.higson@decc.gsi.gov.uk

Office for Nuclear Development

Stephen de Souza
Head, Waste and Safety Policy
stephen.desouza@decc.gsi.gov.uk

Office for Nuclear Development

Neil Hornby
Head, Geological Disposal Facility
and International
neil.hornby@decc.gsi.gov.uk

Office for Nuclear Development

Hergen Haye
Head, New Nuclear and Strategy
hergen.haye@decc.gsi.gov.uk

Finance and Information Services

Vanessa Howlison
Director
0300 068 6579
vanessa.howlison@decc.gsi.gov.uk

Finance and Information Services

Chris Hix
Head, Finance Accounting
0300 068 5082
chris.hix@decc.gsi.gov.uk

Finance and Information Services

Tracy Barker
Head, Financial Control
0300 068 5559
tracy.barker@decc.gsi.gov.uk

Finance and Information Services

Jennifer Rigby
Chief Information Officer
jennifer.rigby@decc.gsi.gov.uk

Chief Economist

Jeanie Cruickshank
Head, Better Regulation Unit
0300 068 6135
jeanie.cruickshank@decc.gsi.gov.uk

Chief Economist

Rocio Concha
Head, Strategic Analysis
0300 068 5781
rocio.concha@decc.gsi.gov.uk

Chief Economist

Duncan Millard
Head, Statistics
0300 068 5051
duncan.millard@decc.gsi.gov.uk

Chief Economist

Stephen Fries
Chief Economist
0300 068 6021
stephen.fries@decc.gsi.gov.uk

DECC Legal

Scott Gregor Milligan
Director
0300 068 5621
scott.milligan@decc.gsi.gov.uk

DECC Legal

Andrew Jordan
Head, Team 2 Upstream Energy
and CCS
0300 068 5617
andrew.jordan@decc.gsi.gov.uk

DECC Legal

Nick Magyar
Head, Team 3 Downstream Energy
0300 068 5620
nick.magyar@decc.gsi.gov.uk

DECC Legal

James Maskell
Head, Team 4 Nuclear and Non-
Proliferation
0300 068 5613
james.maskell@decc.gsi.gov.uk

DECC Legal

Adrian Roberts
Head, Team 5 Climate Change
0300 068 6213
adrian.roberts@decc.gsi.gov.uk

DECC Legal

Naomi Passman
Head, Team 6 Corporate and
Renewables



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0300 068 5343
naomi.passman@decc.gsi.gov.uk

Strategy

Ravi Gurumurthy
Director

0300 068 6727
ravi.gurumurthy@decc.gsi.gov.uk

Strategy

Katherine Randall
Head , 2050

katherine.randall@decc.gsi.gov.uk

Strategy

Ross Gribbin
Head, Project Team

ross.gribbin@decc.gsi.gov.uk

Strategy

Ben Golding
Head, Project Team

ben.golding@decc.gsi.gov.uk

Strategy

Dagmar Droogsma
Head , Carbon Budgets

dagmar.droogsma@decc.gsi.gov.uk

Human Resources

Alison Rumsey
Director

0300 068 5650
alison.rumsey@decc.gsi.gov.uk

Human Resources

Anna Jenkins
Head, Human Resources

0300 068 6828
anna.jenkins@decc.gsi.gov.uk

Human Resources

Rachel Watson
Head, Human Resources Strategy
and Change

rachel.watson@decc.gsi.gov.uk

Science and Innovation Group

Nafees Meah
Head, Science

0300 068 5560
afees.meah@decc.gsi.gov.uk

Science and Innovation Group

David Mackay
Chief Scientific Adviser

0300 068 6505
csa@decc.gsi.gov.uk

Science and Innovation Group

Paul Hollinshead
Director

paul.hollinshead@decc.gsi.gov.uk

International Climate Change

Peter George Betts
Director

0300 068 5401
peter.betts@decc.gsi.gov.uk

International Climate Change

James Hughes
Head, International Strategy and
Engagement

james.hughes@decc.gsi.gov.uk

International Climate Change

David Capper
Head, International Policy and
Finance

0300 068 5263
david.capper@decc.gsi.gov.uk

International Climate Change

Ben Lyon
Head, Negotiations

0300 068 5452
ben.lyon@decc.gsi.gov.uk

Commercial

Jeremy Allen
Head, Commercial Team

0300 068 5591
jeremy.allen@decc.gsi.gov.uk

Commercial

Hugo Robson
Director

hugo.robson@decc.gsi.gov.uk

Office of Carbon Capture & Storage

Adam Dawson
Chief Executive

0300 068 5857
adam.dawson@decc.gsi.gov.uk

Office of Carbon Capture & Storage

Jonathan Holyoak
Head, CCS Strategy

0300 068 6082
jonathan.holyoak@decc.gsi.gov.uk

Office of Carbon Capture & Storage

Mark Pedlingham
Director, Strategic Delivery

mark.pedlingham@decc.gsi.gov.uk

Office of Carbon Capture and
Storage

Patrick Dixon
Expert Chairman

0300 068 6502
patrick.dixon@decc.gsi.gov.uk



Office for Renewable Energy
Deployment
Sarah Rhodes
Head, Land-based Renewables
0300 068 6171
sarah.rhodes@decc.gsi.gov.uk

Office for Renewable Energy
Deployment
Duarte Figueira
Head, Offshore Renewables
0300 068 5805
duarte.figueira@decc.gsi.gov.uk

Office for Renewable Energy
Deployment
Hugh McNeal
Chief Executive
0300 068 6781
hugh.mcneal@decc.gsi.gov.uk

Office for Renewable Energy
Deployment
Aram Wood
Head, Renewables Strategy and
Delivery
0300 068 5844
aram.wood@decc.gsi.gov.uk

Office for Renewable Energy
Deployment
Rachel Solomon-Williams
Head, Feed-in Tariffs Review
rachel.solomon-williams@decc.
gsi.gov.uk

International Climate Change
and Energy Efficiency
Philip Wynn Owen
Director-General

0300 068 5199
phil.wynnowen@decc.gsi.gov.uk
International, European Union
and Energy Security
Timothy Patrick Abraham
Head, European Policy
tim.abraham@decc.gsi.gov.uk

International, European Union
and Energy Security
Edmund Hosker
Director
0300 068 6854
edmund.hosker@decc.gsi.gov.uk

International, European Union
and Energy Security
Chris Barton
Head, International and Domestic
Energy Security
chris.barton@decc.gsi.gov.uk

International, European Union
and Energy Security
Michael Rutter
Head, Energy Resilience
0300 068 5769
michael.rutter@decc.gsi.gov.uk

Energy Markets and Networks
Jonathan Brearley
Director
0300 068 6503
jonathan.brearley@decc.gsi.gov.uk

Energy Markets and Networks
Rachel Crisp
Head, System Balancing
rachel.crisp@decc.gsi.gov.uk

Energy Markets and Networks
Richard Sargen
Head, Energy Market Design
0300 068 4242
richard.sargeant@decc.gsi.gov.uk

Energy Markets and Networks
Harriet Thompson
Head, Institutional Frameworks
harriet.thompson@decc.gsi.gov.uk

Energy Markets and Networks
Emily Bourne
Head, Electricity Market Reform
Programme Office
emily.bourne@decc.gsi.gov.uk

Energy Markets and Networks
Neil Bush
Head, Energy Economics and
Analysis
neil.bush@decc.gsi.gov.uk

Energy Markets and Networks
Sandy Sheard
Head, Future Electricity Networks
sandy.sheard@decc.gsi.gov.uk

Energy Markets and Networks
Andy Shields
Head, Security of Electricity Supply
andy.shields@decc.gsi.gov.uk

Energy Efficiency Deployment
Office (Office of National Energy
Efficiency)
David Purdy
Director
david.purdy@decc.gsi.gov.uk





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Energy Efficiency Deployment
Office (Office of National Energy
Efficiency)
Trevor Hutchings
Head, Energy Efficiency Delivery
Office
trevor.hutchings@decc.gsi.gov.uk

Energy Efficiency Deployment
Office (Office of National Energy
Efficiency)
Sam Thomas
Head, Economics and Analysis
0300 068 6020
sam.thomas@decc.gsi.gov.uk

Energy Efficiency Deployment
Office (Office of National Energy
Efficiency)
Liz Owen
Head, Customer Insight and
Engagement
liz.owen@decc.gsi.gov.uk

Chief Operating Officer
Wendy Barnes
Chief Operating Officer
0300 068 5115
wendy.barnes@decc.gsi.gov.uk

Nuclear Decommissioning and
Security
Stefanie Murphy
Head, Nuclear Security
stefanie.murphy@decc.gsi.gov.uk

Nuclear Decommissioning and
Security
Vanessa Nicholls
Director
0300 068 2825
vanessa.nicholls@decc.gsi.gov.uk

Nuclear Decommissioning and
Security
Rhydian Phillips
Head, Non-Proliferation and
Emergency Planning
rhydian.phillips@decc.gsi.gov.uk

Performance and Planning
Louise Dominian
Head, Governance and Capability
louise.dominian@decc.gsi.gov.uk

Performance and Planning
Matilda Quiney
Head, Planning and Co-ordination
matilda.quiney@decc.gsi.gov.uk

Performance and Planning
Archie Young
Head, Delivery Unit
archie.young@decc.gsi.gov.uk

Energy Markets and
Infrastructure Strategy and
Programme Office
Patrick Erwin
Director
patrick.erwin@decc.gsi.gov.uk

Heat Industry
David Wagstaff
Head, Heat Strategy and Policy
david.wagstaff@decc.gsi.gov.uk

Heat Industry
Niall MacKenzie
Head, Industrial Energy Efficiency
0300 068 5299
niall.mackenzie@decc.gsi.gov.uk

Heat Industry
Fiona Mettam
Head, Heat Delivery (including
Renewable Heat Initiative)
fiona.mettam@decc.gsi.gov.uk

Heat Industry
Stephen Martin
Director
stephen.martin@decc.gsi.gov.uk

Heat Industry
Jo Greasley
Head, Renewable Heat Initiative
jo.greasley@decc.gsi.gov.uk

Green Deal
Tracy Vegro
Director
0300 068 5256
tracy.vegro@decc.gsi.gov.uk

Green Deal
Richard Mellish
Head, Green Deal Programme
Support and Delivery
richard.mellish@decc.gsi.gov.uk

Green Deal
Charles Phillips
Head, Green Deal Accreditation
Frameworks
charles.phillips@decc.gsi.gov.uk

Green Deal
David Thomas
Head, Green Deal Consumer
Demand
david.thomas@decc.gsi.gov.uk



Smart Meters Programme
Delivery
Maxine Frerk
Head, Consumer Protection,
Engagement and Rollout Strategy
maxine.frerk@decc.gsi.gov.uk

Smart Meters Programme
Delivery
Rob Turner
Director
rob.turner@decc.gsi.gov.uk

Fuel Poverty and Smart Meters
Richard Leyland
Head, Smart Meters Policy
0300 068 5132
richard.leyland@decc.gsi.gov.uk

Fuel Poverty and Smart Meters
Chris Leigh
Head, Fuel Poverty
0300 068 5140
chris.leigh@decc.gsi.gov.uk

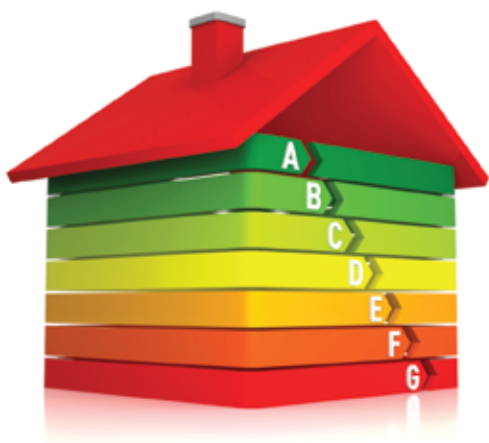
Fuel Poverty and Smart Meters
Gareth Baynham-Hughes
Head, Fuel Poverty Independent
Review
gareth.baynham-hughes@decc.
gsi.gov.uk

Fuel Poverty and Smart Meters
Daron Walker
Director
0300 068 5561
daron.walker@decc.gsi.gov.uk

URENCO and Scottish
Renewables Obligation
John Neve
Head, Scottish Renewables
Obligation
0300 068 5352
john.neve@decc.gsi.gov.uk

URENCO and Scottish
Renewables Obligation
Wendy Barnes
Head, URENCO
wendy.barnes@decc.gsi.gov.uk





Energy

Energy supply needs to become secure and low carbon whilst remaining affordable. Achieving this will require the biggest peacetime programme of change ever seen in the UK.

Prices will have to rise substantially to deliver this transformation, but this can be limited if enough attention is given to reducing energy usage. A systems view is needed and policy needs to embrace all scales of opportunity from major production facilities down to community and domestic scale. Policy choices made across government need to be considered from an energy perspective.

Money spent on reducing use provides greater returns than money spent on new supplies. People need to be engaged in the debate and take more responsibility for their personal energy use. Deployment of a smart grid needs to move forward urgently, otherwise the energy system envisaged by government policy will not work technically. This is not the same as the rollout of smart meters.

The UK is a small market in global terms; investors need to see clear advantage to deploying scarce capital here. All supply side choices (nuclear, fossil fuel, renewables) carry technical and other risks so diversity is the watchword.

ACTIONS

- Major effort is needed around the Green Deal to motivate users to reduce demand
- A systems authority is needed in government to provide technical management of the energy system as a whole
- More engineers need to be at the heart of policy making as distinct from being involved in policy implementation
- Conduct an urgent review of the deliverability of secure low carbon energy
- Ensure that the energy market reform process delivers sufficient stable investment incentives.

For any queries contact Paul Davies
E: policy@theiet.org T: 01438 765687

www.theiet.org/publicaffairs

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