

View from London

Long on ideas, short on cash

| by Alex Forbes



It's easy to be cynical about ambitious government initiatives, especially from a government in its final year in office. So one of the surprises in the launch of July's white paper on transforming the UK into a low-carbon economy was how much praise was lavished on Ed Miliband, our minister for energy and climate change.

It came not just from earnest NGOs, such as Greenpeace and Friends of the Earth, but also from cynical hacks, such as . . . erm . . . myself. Perhaps most significantly, when it comes to actual implementation, even the Conservatives – who are likely to succeed Labour in the next election – backed the proposals.

The UK Low Carbon Transition Plan is nothing if not ambitious. It explains in lavish detail how the government intends to achieve its target of reducing carbon emissions by 34% from 1990 levels by 2020. Casting modesty aside, the Department of Energy and Climate Change (DECC) described it as 'the most systematic response to climate change of any major developed economy' and claimed it 'set the standard for others in the run-up to crucial climate talks in Copenhagen in December'. Few commentators disagreed.

The 200-page document contains many interesting ideas. At the heart of the plan is the concept of legally-binding five-year carbon budgets that each government department will be obliged to stay within when taking major policy decisions, just as they have to stay within their financial budgets. The first five-year target requires a reduction of 22% by 2012, only 1% more than today's 21% figure. This, commented the Financial Times wittily, 'is such a low-hanging fruit that it has already fallen', thanks to the UK's 1990s dash for gas and the decline of heavy industry.

Not surprisingly, the bulk of the emissions cuts, around 50%, are expected from the power and heavy industry sectors. Transport is expected to account for 20%, homes for 15%, workplaces for 10% and agriculture for 5%. This will require radical change within the electricity industry, with 40% of power by 2020 needing to come from what Miliband described as a 'trinity' of low-carbon sources: with renewables taking a 30% share, and nuclear and clean coal together taking 10%.

Several radical new policy initiatives are proposed. To make it easier for renewables to obtain grid connections, the DECC will take direct responsibility from regulator Ofgem for establishing a new access regime. New legislation will add tackling climate change and ensuring energy security to Ofgem's primary objectives. And a feed-in tariff, branded as a 'clean-energy cash-back' scheme, will encourage residential and business consumers to install low-carbon generation equipment that can feed excess power into the grid for payment.

What the new policy proposals lack is hard cash to help bring about this radical vision. Miliband said that offshore wind power would get funding of £120 million, with another £60 million going to wave and tidal energy. Smaller amounts are allocated to nuclear, geothermal energy and others. Overall, total funding for development of green industry and technology is a paltry \$405 million. That would barely buy a medium-sized gas-fired power station. Or, as Greenpeace put it, 'that is only about half the amount the chancellor [finance minister] allocated for bonuses for a bunch of failed RBS bankers'.

What the white paper has to say about gas is interesting. Perhaps forgetting that gas has played a major role in reducing the UK's carbon emissions, that new nuclear power will barely make any contribution by 2020, and that clean-coal power is a technology whose time has yet to come, the DECC claims that one consequence of its proposals is that we will be importing half as much gas by 2020 as we otherwise would.

My message to Miliband? Any time you feel like debating this with me, feel free to give me a call. ■