

A new energy policy

The UK used to set two main goals for energy policy. The first was to ensure competitive supply to keep prices down. The second was to ensure the UK could cover all her own electricity needs from home generation, with a sufficient margin of capacity to handle cold dark days and failures in part of the generating system. Some diversification of sources of power was always built in.

These policies were important to combat fuel poverty and to assist industry. If you want to have a strong industrial presence in everything from steel to ceramics and from chemicals to aluminium you need plenty of cheap energy. It is also a good idea to have electricity self sufficiency for strategic reasons. The low price was produced by a merit order system, where the cheapest power was produced all the time and dearer power was only added when demand rose to high levels.

In the 1980s major changes were made to allow more competition. These changes drove electricity prices down, whilst still ensuring something like a 20% capacity margin to allow for problems and demand peaks. The industry transformed itself from substantial reliance on coal to gas, and in so doing greatly increased its fuel efficiency, lowered its carbon output, cut polluting emissions and reduced prices.

In recent decades government has placed much more weight on two additional policies. The first is to decarbonise, forcing changes to close down fossil fuel stations. The second has been to accept the framework of an integrated European energy system, with more dependence on interconnectors deliberately put in. It is no surprise that the EU which pushed this is now using it as a threat against our exit. These two policies have led to higher prices.

As we leave the EU we need to change policy. We should discard the integrated EU policy, and reset UK independence of supply. We should seek to use competition again to drive down prices, and to ensure that where renewables are being added to the mix they are good value, taking into account their full cost. Wind energy, for example, is intermittent so allowance needs to be made for back up facilities. Water based renewable systems should have an advantage from being always available and that needs to be reflected accurately in comparative costings.

It will be more difficult for the UK to enjoy an industrial revival without cheaper power or without plenty of capacity and no interruptions to supply.