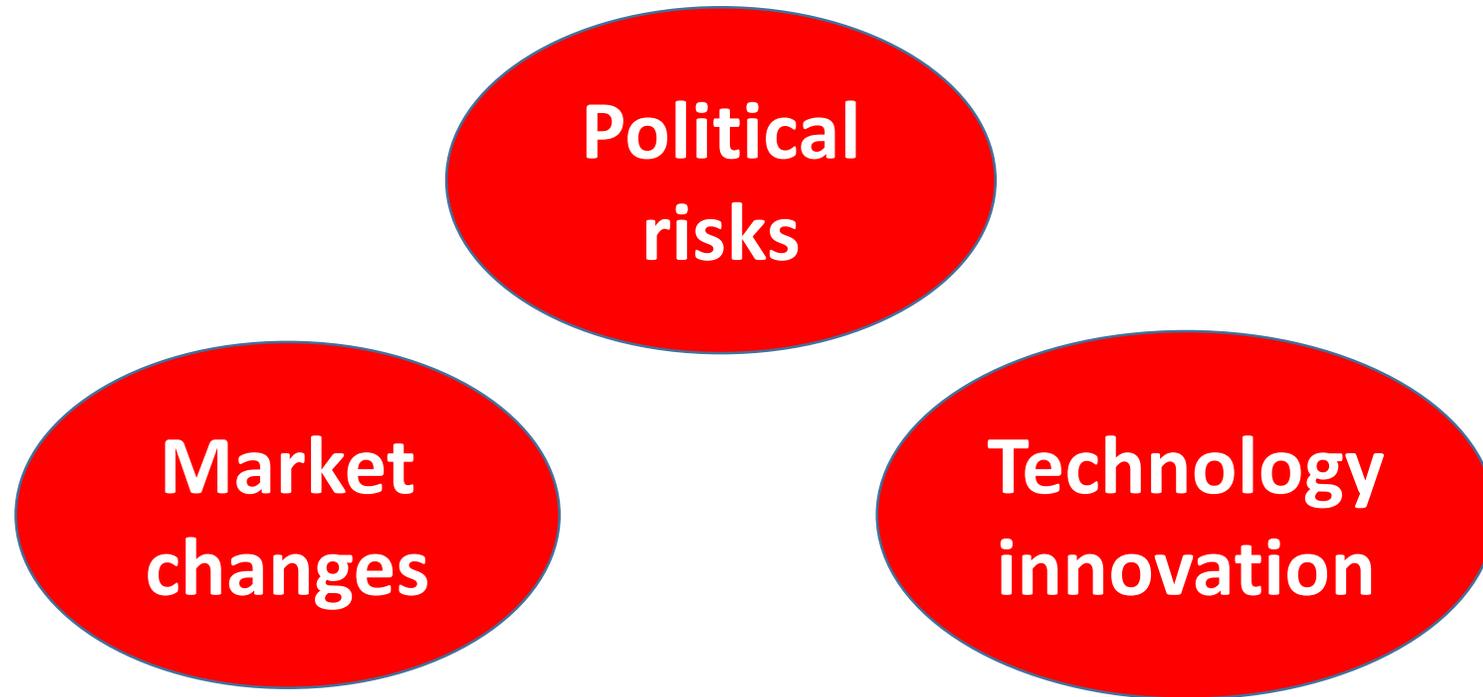


Reducing inherent uncertainty in energy policy: *can politics help?*

Some thoughts – Rt Hon Ed Davey
former UK Secretary of State for Energy & Climate Change
to British Institute of Energy Economics

September 2015

Uncertainty challenges for energy policy



How can we minimise the risk premium of inherent political uncertainty in energy?

Limiting and influencing politicians

**Limit
political
interference**

BUT

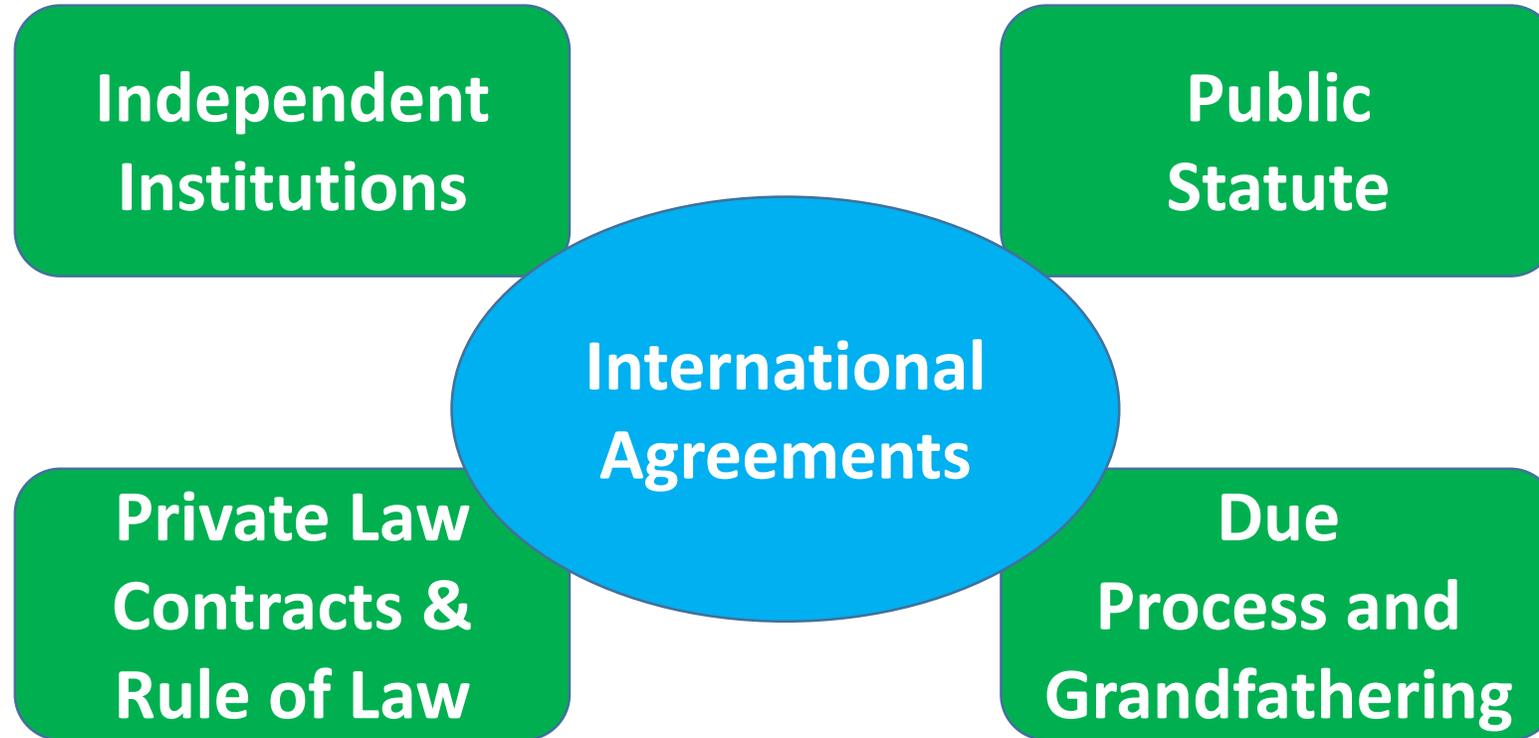
- **Democratic limits to limiting politicians**
- **A need for flexibility**

**Build
political
consensus**

BUT

- **Scale of low carbon change fertile for opportunism**
- **Not just domestic politics**

Limiting interference – theory & practice



In practice, budget pressures and economic impacts – leading to political pressure – may cause Governments to over-ride even well-designed checks and balance (though may also be used as the excuse for unjustified interference).

Building Consensus – the climate example

Domestic – across & within UK

- History of cross-party working & voting on climate

BUT

- “Greenwash”, UKIP effect and decisions post-May 2015

YET

- Public opinion
- Evidence-based policy

International: EU, UN, economics & God

- EU leadership (2020,2030) - but not easy & politics getting harder
- UN: big country politics & climate cash (Obama, Chinese air pollution, Modi)
- Fossil fuel states & firms VS green growth & disinvestment analysis: confrontational or planned change?
- Pope Francis’ encyclical

Science, economics and political leadership can deliver consensus, but not inevitable. Most aspects of energy policy contentious and many subject to genuine uncertainties.

So, can politics help?!

- So many challenges and threats, politics has to try to help
 - Energy trilemma political challenge (price, security and carbon)
 - Geopolitics – European and global energy security
 - Future winners and losers of the energy transition

**Fortunately, it won't ever just be up to politicians!
Key is to allow technology and markets to do what they do best!**