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

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Uncertainty challenges for energy policy

- Political risks
- Market changes
- Technology innovation

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
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!