

# ENERGY FOCUS



## Energy policy after the General Election

**Amber Rudd MP, Parliamentary Under Secretary of State for Energy and Climate Change, assesses this Government's record on page 20**





## The Parliamentary Group for Energy Studies

Established in 1980, the Parliamentary Group for Energy Studies remains the only All Party Parliamentary Group representing the entire energy industry. We champion cross-sector energy research and development. The Group's membership is comprised of over 190 parliamentarians, 130 associate bodies from the private, public and charity sectors and a range of individual members.

Published three times a year, *Energy Focus* records the Group's activities, tracks key energy and environmental developments through Parliament, presents articles from leading industry contributors and provides insight into the views and interests of both parliamentarians and officials.

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# CHAIRMAN'S FOREWORD



As the dissolution of Parliament takes place, it also marks the end of this term's activities for the Parliamentary Group for Energy Studies. And what a Parliament it has been. We've seen membership increase and diversify, so we now reach commercial, academic and trade audiences of all sizes. From the start-up entrepreneurs to those who employ tens of thousands of people; from suppliers to generators, via those in research and development, the Group's reach across the energy sector continues to go from strength to strength and is even making in-roads abroad through our embassy members.

We've also seen increased engagement from across the parties and departments. We've managed to engage them all: From the Secretary of State for DECC attending the House of Lords Annual Dinner for three years running, to every energy minister since John Hayes MP affording us an interview – not to mention the Parliamentary Under Secretary of State for the Foreign and Commonwealth Office providing us with an insight into the centrality of energy to foreign policy.

And now we must look once again to the future as the parties formally announce their General Election manifestos – some of which were outlined for us at our March speaker meeting.

In this edition, our contributors also take a look at the parties' approaches to energy in the run up to the General Election and one of the last acts of DECC for this Parliament, round one of the Contract for Difference (CfD) allocation:

- Jamie Stewart, editor of European Daily Electricity Markets at ICIS looks at the parties' approaches to energy for the General Election 2015 **(page 4)**;
- Esbjorn Wilmar, Managing Director at Infinergy Ltd, looks at round one of the CfD allocation **(page 6)**.

Finally, can I take this opportunity to thank the team at Bellenden for seeing us through to this point: Nikki da Costa, Sophie Fernandes, Allan Paltzer and Alexander Holloway. The time and effort you have put into giving the Group a new lease of life has been greatly appreciated by the members and me as Chairman; because of this, we go into the next Parliament with a healthy membership and an excellent reputation across both the industry and all parties.

**Ian Liddell-Grainger MP**  
**Chairman of the Parliamentary Group for Energy Studies**

# GENERAL ELECTION 2015 – AN EVIDENCE-BASED APPROACH?



Jamie Stewart, editor of European Daily Electricity Markets at ICIS, looks at the parties' energy policies going into the election, and how they stand up to shifting energy market signals

**“An evidence-based approach.”** The phrase has echoed through the halls of the Department of Energy and Climate Change throughout Ed Davey's tenure. Not with the frequency that Treasury mandarins have heard “long-term economic plan” bouncing off the walls of George Osborne's offices, but it defines Davey's time in charge.

That is not to scorn – quite the opposite. Two years ago, when I first wrote for *Energy Focus*, I applied cold, hard numbers, free of vested interest, from the forward-curves of the energy markets to question the longevity of an incrementally-rising carbon price floor which, although environmentally admirable, was becoming economically unsustainable.

And a year later, George Osborne announced a four-year freeze of carbon price support at his next budget. I like to think the chancellor read *Energy Focus* on his way to the chamber that day in 2014.

The numbers-based evidence gleaned from the energy markets has a vital role to play in policy design. So how should the existing picture inform the major parties' policies at this year's general election?

## Fundamental change

The wholesale gas and electricity markets have undergone a fundamental change in recent years. Today, the price of energy along the forward curve barely

changes year-on-year, whereas traditionally, this curve would display a sharper 'contango' shape, meaning prices rise further ahead. This traditional shape reflects inflation, demand growth assumptions and supply-side risk premium – you pay more, further ahead, just in case.

But today, the forward curve is remarkably flat (see fig 1 comparing with 2010), because of steadily-growing renewable energy supply, while energy



Fig.1