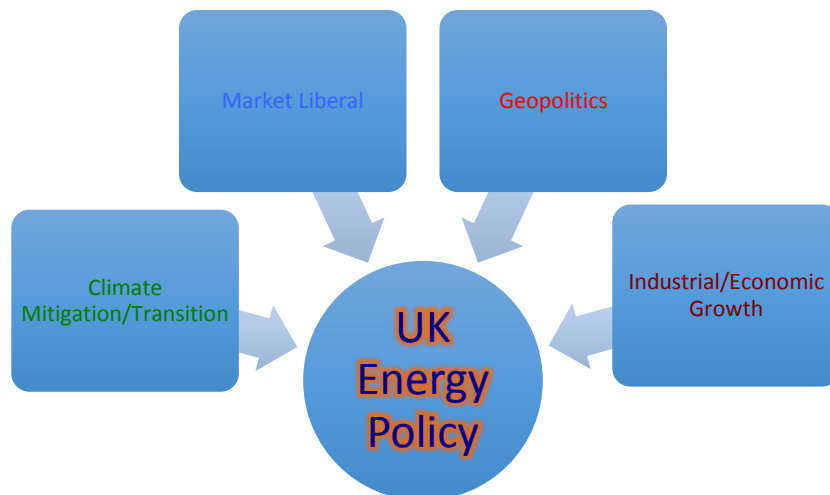


Caroline Kuzemko

Research fellow for the Energy Policy Group at the University of Exeter

Caroline Kuzemko's presentation on the state of United Kingdom's Energy Governance dealt with many pressing issues currently facing the United Kingdom. Her presentation was broken down into several different pieces in which she discussed the scale, pace and type of change in energy policy and their impacts. She concluded her presentation by discussing four key problematics facing the United Kingdom that need to be dealt with.

Caroline started out her presentation by highlighting that we are meant to be in a stage of transition to a lower carbon energy system. The United Kingdom, however, needs to transition while maintaining security and affordability. In terms of pace and change, Caroline highlighted 16 energy related bills and acts in the United Kingdom since 2000. While the United Kingdom has seen a steep increase in the number of new bills, laws, and regulations regarding energy and climate change over the last handful of years, the energy system appears not to be responding sufficiently quickly (bearing 2 degree centigrade targets in mind). She noted that this is an important realization because it is not always recognized or highlighted by the media or focused on by the public. Caroline then went on to explain the quality of transitions, or in other words,

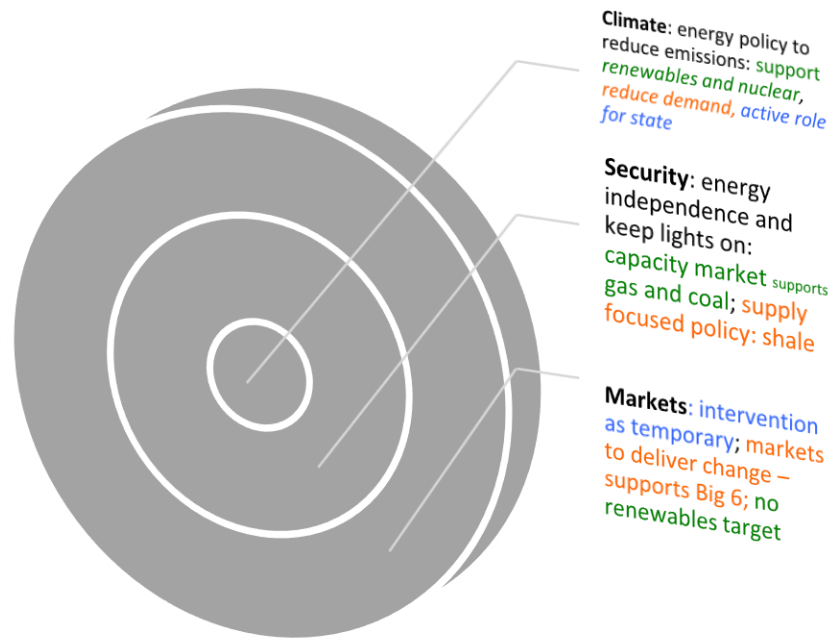


why types of energy policy change were actually taking place and how these relate to low carbon transition. She said that much of the literature on climate and

energy policy change tends to assume that the principal driver of climate change is new, scientific knowledge about climate change- but through her in-depth analysis - she identifies four different, and not necessarily related, drivers of change (seen to the above).

Out of these different drivers of change emerge four key problematics that became a focal point of her presentation for many, because once the ground-work was laid, we could now understand what needed to be done. The first problematic is the “capacity for transition”, which questions the capacity of UK energy institutions for managing and leading a low carbon transition. She pointed to depoliticisation and a lack of institutional memory to explain why UK government institutions had found it difficult to respond to the needed change. Caroline stressed these institutions had originally been “designed to maintain the market framework”, not change it, and were not initially given “mandates to mitigate for climate change”, rather, the objective of climate change mitigation came after the institutions were set up. Furthermore, UK institutions, such as the DTI and DECC have been lacking in sufficient knowledge on how energy systems work because of their focus on economics as the key theoretical approach and given “high turnover and a lack of institutional memory”. In depth knowledge, conversely, about how energy systems work is held in the private sector and it needs to be more well-orchestrated in institutions if we wish to make a larger impact on the energy systems in the United Kingdom. Our second problematic deals with the idea of energy poverty, and the reaction to high energy prices and claims that prices are increasingly mainly because of the cost of transition. This was followed by her saying that energy poverty is increasing, however the original goal was to eliminate energy poverty by 2016; this now becomes an issue that must be dealt with on all levels to discuss objectives and alternatives.

Caroline's third problematic was executed through a graph, seen below. She explains how all the drivers of energy policy change (climate, security and markets) interact with one another, and thus decisions made regarding one objective impact upon the rest. This is a problematic given that the thinking behind each objective differs and that there may well be



trade-offs between objectives at points in time (i.e. between energy poverty and passing on costs of transition to all electricity and gas customers including energy poor ones).

Caroline's fourth and final problematic was based on the observation that energy policies must in practice also interact with other areas and objectives of government (i.e. the Treasury and fiscal austerity). In addition, new energy policies designed to change how energy is produced and used interact with deeply embedded rules, codes and practices that incentivize different forms of behavior (i.e. company scale, barriers to entry, oligopolistic practice). There needs to be a greater understanding of how new policies interact with the existing rules and regulations, and

what overlap there is between them. She stressed that we need to create the conditions that would allow for the entry of new innovation energy companies because the “Big 6” are still controlling approximately 96% of the market; they have some considerable political power and have so far proved either unwilling or unable to change.

Caroline closed her presentation with possible solutions, and further ideas for research. She posed multiple thought provoking questions including how to better recognize both trade-offs between energy policy objectives and where energy and climate objectives sit in relation to other government objectives. After going into detail about this, Caroline made the case that getting this right is not just relevant to energy policy, but to UK governance as a whole. She ended with a final thought that in order to enact policy change, it requires a better comprehension of “energy’s role in society, how energy systems work, [and] how energy/climate institutions interact internally and externally.”

Joseph Dutton

Market Reporter for Argus Media

Discussant Joseph Dutton took the above points further by discussing the role of the private sector in market liberalization and geopolitics, with “ideals of moving towards a completely uniform EU28”. He discussed the importance of physical security, and how it is dependent on the individual person or state in context. Joseph also stressed that governments play a key role in determining investment signals, however the discussions taking place are involving private entities. He concluded with a discussion on the concept of security of supply,

and at what cost (i.e. Is it worth a higher price to have the added security? Weighing out the costs and benefits in such a situation is empirical).