

Energy Legislation 2008: The Energy Act and Climate Change Act

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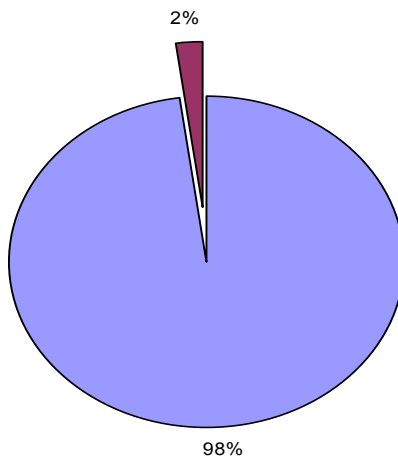
Our Challenges and Goals

We face two long-term energy challenges:

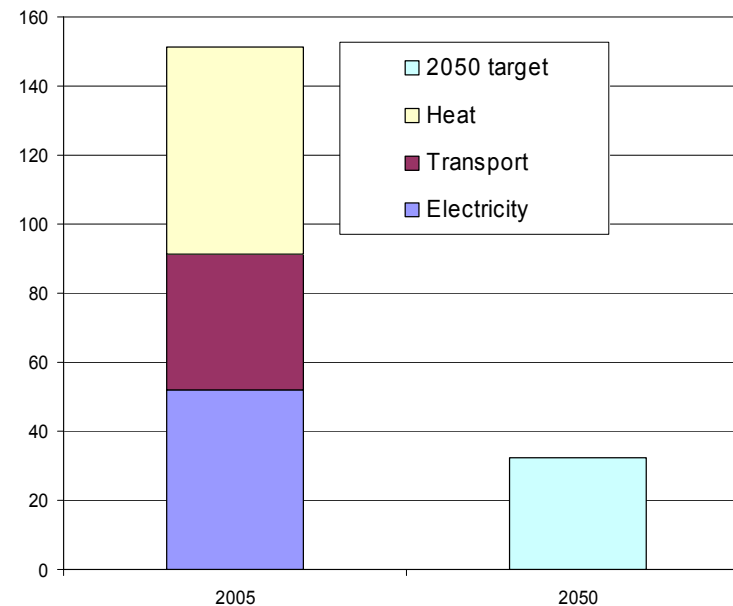
- tackling climate change by reducing carbon dioxide emissions both within the UK and abroad; and
- ensuring secure, clean and affordable energy as we become increasingly dependent on imported fuel.

The climate change challenge

The UK accounts for around 2% of global carbon emissions



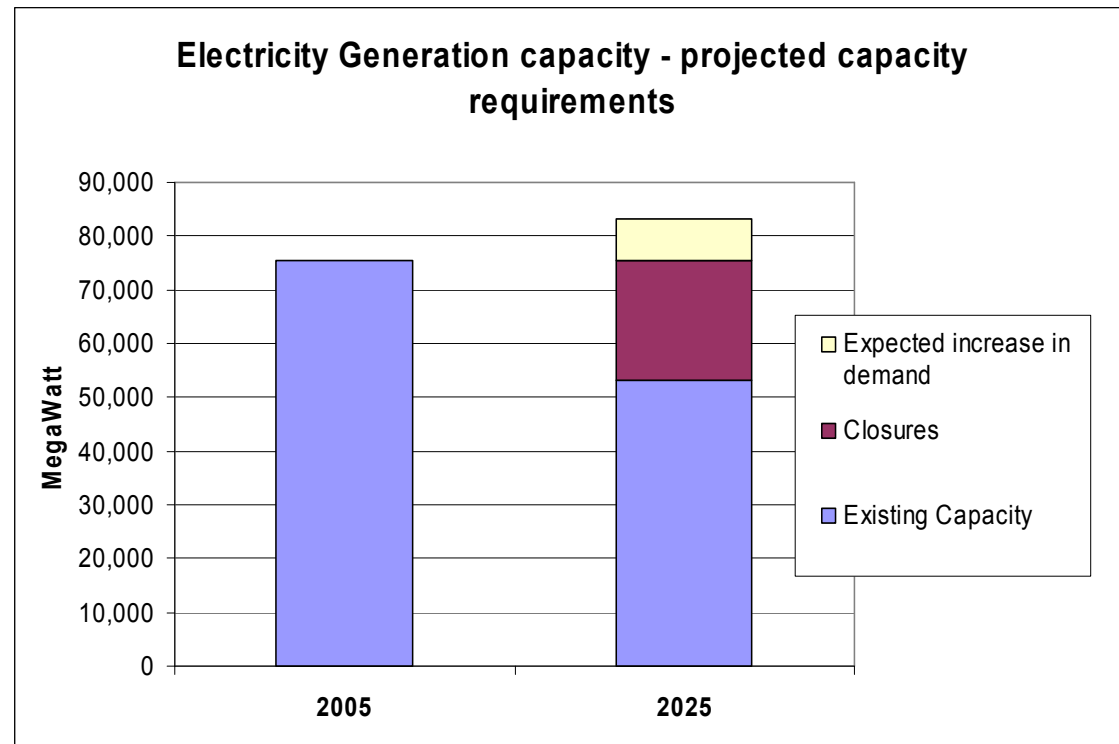
Our goal is to put the UK on a path to cutting carbon dioxide emissions by at least 80% by 2050



Security of Supply challenge

Substantial investment
needed in:

- **Electricity power stations and networks**
- **Gas import and storage infrastructure**



The Framework

- Principles
 - Climate change and energy security are international issues, requiring international action as well as in the UK
 - Independently regulated competitive markets are the most cost-effective and efficient way to deliver our goals
 - Correcting market failures to align the objectives of market participants with our energy policy goals, e.g. through a carbon price

Our Energy Strategy

- Establish an international framework to tackle climate change, including a strengthened EU Emissions Trading Scheme and market price for carbon
- Provide legally binding carbon targets for the whole UK economy, progressively reducing emissions
- Make further progress in achieving fully competitive and transparent international markets
- Encourage more energy saving through better information, incentives and regulation
- Provide more support for low carbon technologies
- Ensure the right conditions for investment

Climate Change Act - Measures

- The Act seeks to create a framework to improve carbon management in the UK by:
 - Introducing a new framework for managing carbon emissions reductions through the setting of 5-year budgets. Also puts UK 2050 carbon reduction goal onto a statutory basis.
 - Setting up an independent body to advise on carbon budgets
 - Creating powers to allow Government to introduce carbon trading schemes more quickly
 - Establishing a system of reporting to increase transparency and accountability for carbon emissions reductions – together with the new independent body, this will help Parliament hold Government to account on progress
- The Climate Change Act makes the UK the first country in the world to put carbon targets into law

Energy Act – Principles

- Independently regulated competitive markets are the most cost-effective and efficient way to deliver our goals
- Companies make the investments in new energy infrastructure the UK needs within the policy and regulatory framework set down by Government
- Government's role is to construct the right framework so that the objectives of the energy market align with the objectives of our strategy

Energy Act - Measures

- We need to create the right legislative framework to:
- Reflect the availability of new technologies (such as Carbon Capture and Storage and emerging renewable technologies such as offshore wind)
- Correspond with our changing consenting requirements for new gas security of supply infrastructure (such as offshore gas storage) - as we become increasingly dependent on imported gas.
- Ensure adequate protections for the environment and the tax payer as our energy market continues to develop

Energy Act - Measures

- Renewables Obligation
- Carbon Capture and Storage
- Offshore Gas Infrastructure
- Nuclear Waste and Decommissioning
- Smart Meters
- And tidying up and some other things...

Energy Act - Measures

- ...like Feed-in tariffs
- And a Renewable Heat Incentive!

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