

UK Renewable Energy Policy Since Privatisation

EPRG Working Paper 1002

Cambridge Working Paper in Economics 1007

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This paper reviews the progress with increasing renewable energy supply in the UK since 1990 with a particular focus on recent developments. The UK is regarded as a country where the considerable potential for renewable energy, relative to other major European countries, has failed to be realised. It is also frequently suggested that the UK needs to change its policies to renewables to look more like that in Germany or Spain.

The aim of this paper is to look at the UK's renewable energy policy in the context of its overall decarbonisation and energy policies. This will allow us to explore the precise nature of the 'failure' of UK renewables policy and to suggest policy changes which might be appropriate in light of the UK's institutional and resource endowments. Our focus will be on the electricity sector both in terms of renewable generation and to a lesser extent the facilitating role of electricity distribution and transmission networks. However we will highlight the interactions between the electricity, heat and transport sectors in the UK within the overall decarbonisation policy context.

We will suggest that the precise nature of the failure of UK policy is rather more to do with societal preferences and the available mechanisms for encouraging social acceptability than it is to do with financial support mechanisms. Radical changes to current policy are required, but they must be careful to be institutionally appropriate to the UK. Calls to 'just do it' with respect to delivery of larger quantities of renewables are economically irresponsible and highly likely to backfire in terms of achievement of ultimate policy goals such as decarbonisation and energy security. What we suggest is that current policies exhibit an unnecessarily low benefit to cost ratio, and that new policies for renewable deployment must pay close attention to cost effectiveness.

The UK must learn from its experience with auctions for renewables (under NFFO) and with the Renewables Obligation Certificate Scheme (RO) and incorporate the learning from both into future subsidy regimes. The evidence is that a reformed NFFO type auction could be a sensible way to deliver offshore large wind parks mostly built by large multinational utility companies. Onshore it is clear that there are legitimate land use issues with renewables which can only be addressed by smaller scale projects for local public benefit. This policy is in line with some of the more decentralised scenarios of the future development of electricity networks and would have the added co-benefit of substantially reinforcing the need for paradigm change at the individual level and aid behavioural changes which would support the optimal use of technologies which would promote energy efficiency.

It is also clear that the UK needs to significantly improve the quality of the information on which policy decisions are being made. There is a severe lack of analysis of the drivers of past policy outcomes, partly as a result of the lack of information on the financial characteristics of individual projects which have been in receipt of subsidy. We could find no study on the actual performance of renewable projects in the UK. One particular area for improvement is in the consistency of energy policy between heat, power and transport fuel in terms of value of subsidies for carbon reduction, entry barrier reduction and to promote learning.

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Publication January 2010
Financial Support Gas Natural and ESRC, TSEC 1