



# Reforming UK energy policy to live within its means

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**Abstract** The present pattern of taxation, charging, and providing support has accumulated over time in a haphazard way without the kind of strategic thinking that a long-term economic plan requires. This note sets out the sound economic and public finance principles that could guide the reform of energy taxes and supports primarily in the electricity sector. It argues for ending the RO and Feed-in Tariff schemes and replacing them by demonstrably successful CfD auctions which have dramatically lowered the cost of financing renewables. It argues for a state development bank to leverage cheap finance for low-carbon investments, reforming the form of the contracts, replacing the current alphabet soup of charges by the standard rate of VAT on all energy and instead funding climate change policies from general taxation, thus exempting the productive sector from distortive charges, and allowing the Carbon Price Support to resume its trajectory, restoring fiscal sanity and balance. Ending all support for the cheapest renewable electricity (on-shore wind) makes no sense and it would be better to have a single auction for all renewables that create learning benefits – which would rule out any subsidies to tidal lagoons

**Keywords** Energy policy, renewables, support schemes, taxes

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