



The Future of Climate Policy

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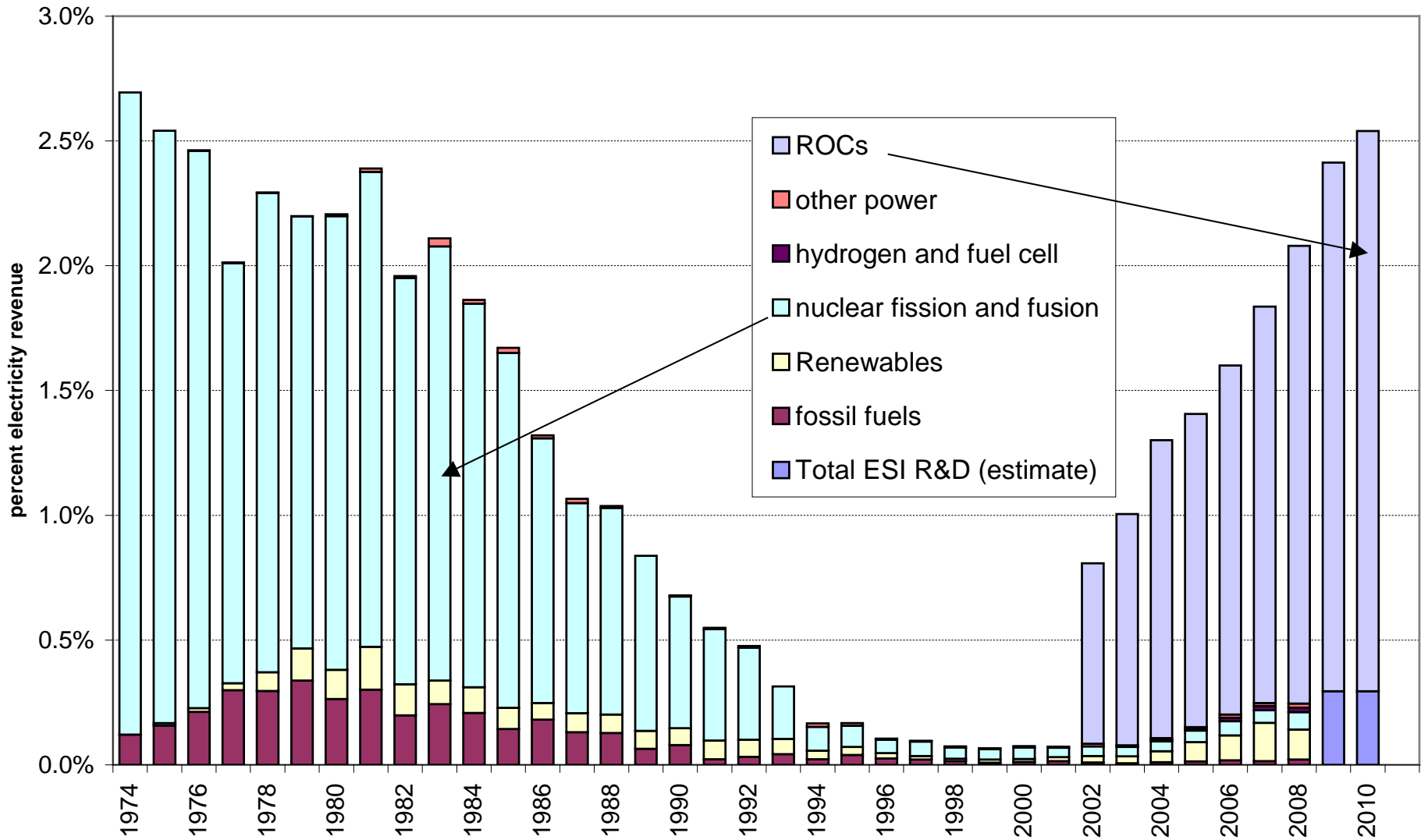
EPRG Winter Seminar

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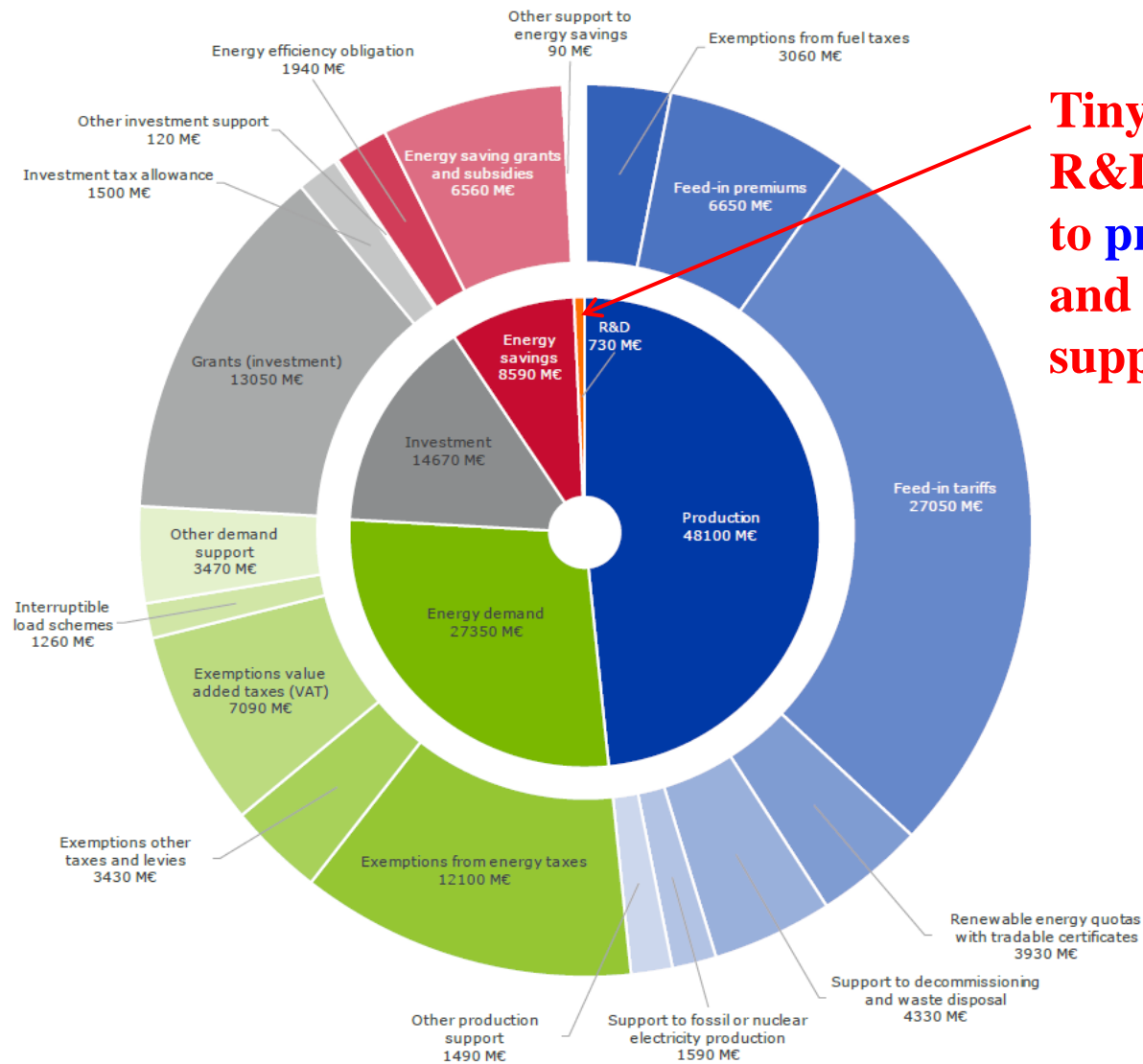
<http://www.eprg.group.cam.ac.uk>

- Rudd states security is No 1 priority
 - ensure energy remains “backbone of our economy”, while we transform to a low carbon system
 - **not breaching LCF** is critical => scrap on-shore wind support
- => Usual perverse concern over debt not asset creation
- Current **energy/climate policy still a mess** – alphabet soup of charges (all deemed taxes by ONS) and subsidies
 - HMT does not advise, only implements
 - Longest serving HMT civil servant has been there 5 years
- **NAO good** at criticizing poor policy (FIDeR contracts)
- **CCC avoids** giving sensible **policy advice** to achieve goals
 - ⇒ Could usefully suggest policies that work better elsewhere
- Redress balance between innovation and deployment

UK Electricity R&D intensity



Breakdown of 2012 support by type of intervention



Tiny share of R&D compared to production and demand support



- Auctions and CfDs **could have avoided LCF breach**
- Long-term contracts lower WACC (CfDs by 3% real)
=> Nuclear power: procure, then auction operation
- **public funding for RES *makes sense***
- **levying RES costs on consumers *makes no sense***
- There are good economic and public finance principles to guide reform
 - ⇒ **raise energy VAT to 20%**
 - ⇒ **Transfer all other eco charges to general taxation**

EU Energy subsidies 2012 & reduced rate VAT

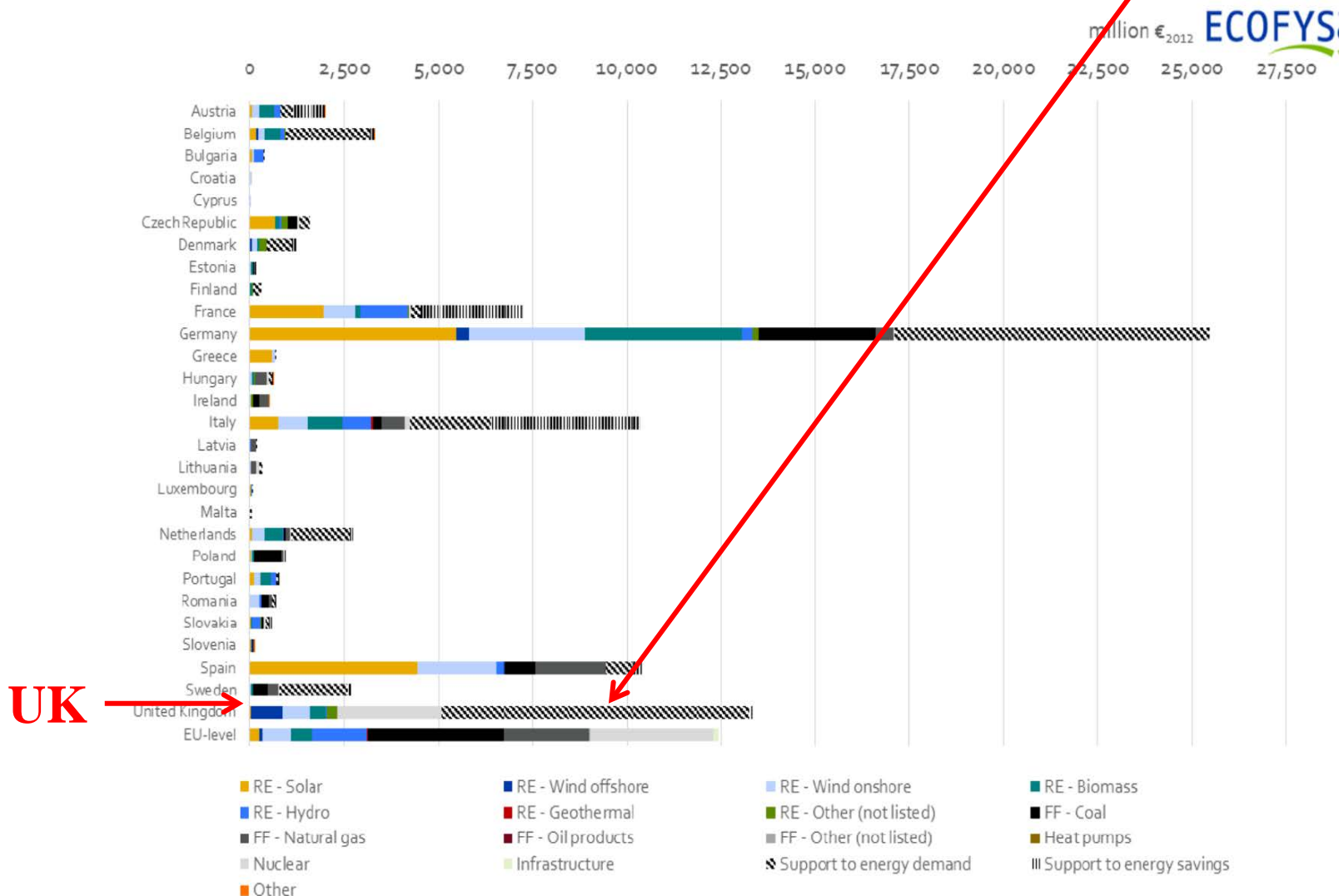


Figure S - 3 Interventions per Member State in 2012 (in million €₂₀₁₂)

Note: The EU-level intervention refers to interventions financed by the EU and not by individual Member States.

Reforming domestic energy taxes

Breakdown of consumer electricity bill 2015

Increase by £87

Reduce by £71

