

something new being brought to the despatch box . . .

or just a re-tread of old party policies?

We met the Conservative's Shadow DEFRA Secretary, Peter Ainsworth MP, to gain an insight to his Party's strategy on climate change.

For the past two centuries, we have been quite content to accept Benjamin Franklin's view that "In this world, nothing can be said to be certain apart from death and taxes". A Conservative victory at the next General Election could be added to that list if the 2008 local election results, the London Mayoral elections, and the Crewe & Nantwich by-election are taken together as indicators of the Party's capabilities.

No objective assessment of how climate change strategies will affect the business and public sectors over the coming decade could therefore be complete without examining the Conservatives' policy on the subject.

As might be expected, all the opposition parties share the government's goal of cutting carbon emissions and reducing dependency on fossil fuels. How that goal is to be achieved most effectively is where they differ in their approach.

Conservative leader David Cameron set out the Party's policy on sustainability and climate change at the beginning of June in a speech to environmental leaders. But for a perspective on how Conservative policy impacts specifically on the issues being addressed in this edition of *The Informed Executive*, we sought out Peter Ainsworth MP, the Shadow Secretary of State for DEFRA.

The UK Climate Change Policy is, by all accounts, long on regulation but short on initiatives. Depending on the scale and sector of an organisation, measures which directly impact upon its operations range from the Carbon Change Levy down to an obligation under

the Display Energy Certificate scheme for virtually every public building to be rated with its notional energy efficiency open to public scrutiny.

Persuasion rather than penalties?

With a declared commitment to removing unnecessary regulations from the business community and public sector, how far would an incoming Conservative administration be prepared to move from a regime of inflexible carbon ceilings and financial penalties to one of persuasion and encouragement?

Peter Ainsworth accepts that regulation has a valid role in the total mix of measures but argues that an equitable balance has not been achieved. "What we have at the moment is highly confusing. It is essential that whatever regulations are considered appropriate are more carefully targeted and clearly understood by those affected. But regulation has to be complemented by a tweaking of the tax system against pollution and carbon emissions.

"Responsible businesses are already following good practice by being more resource-

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efficient. They have a real incentive to reduce carbon emissions because they can see that lower energy consumption reduces their operating costs.

“The business community does not need to be bullied but is seeking a degree of certainty about the long-term framework in which the government is expecting them to deliver outcomes.”

Consistent policy on emissions

The Conservative Party has made its case consistently that Britain should be playing its part in reducing carbon emissions. “I recognise fully that this is a global problem and, while there is no easy global solution, we have to make our own contribution: if we want to have any leverage in this international debate, we have to show a lead.”

“It is depressing that in the debate about what should be done to help resolve the global climate crisis, there is too much emphasis on punishing those who fail to make satisfactory reductions – a hair-shirt kind of culture.

“But every crisis creates a raft of opportunities, particularly in terms of employment and technology development. What worries me about Britain is that we seem to be tying ourselves up in regulatory knots while those around us are getting on with developing the technologies which are needed. There is evidence that the UK is already falling behind

other countries in that respect. Only 10,000 jobs have been created here in renewable technologies, compared with some 250,000 in Germany. There is a major opportunity to turn traditional blue collar skills into green collar employment.”

Inactivity underlies predicament

Inactivity appears to be at the root of the predicament affecting Britain’s response to climate change. “It is intensely frustrating that we are so frightened about taking positive steps. The debate about sustainability has descended into an argument over the way that the government has dressed up stealth taxes as green taxes.

“The retrospective road fund tax, for example, just punishes people for things they have already done and has no place in a balanced environmental strategy.”

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Ainsworth describes this as ‘severely challenging’ given the very low base from which Britain is starting. He sees the levels of reduction imposed as a challenge to be met. “But we are running out of time and do not have the policies in place which would enable us to deliver those savings.”



“ I am delighted that the Prime Minister has at last realised that we have a problem on our hands. That is not reflected, however, in the actions on the table. What we have actually achieved after all this time and several energy white papers spread over 10 years is just another consultation document. While the Paper sets out a detailed analysis of the situation, the fact is that some of us knew we had a problem and did not need to be told that by BERR. The good news is that – finally - someone in the Government has realised that there is an issue and opportunities which stem from it. ”

Peter Ainsworth, MP, Conservative Shadow Secretary of State for Environment, Food and Rural Affairs (DEFRA)

Previous Page: The Whitelee Wind Farm, near Eaglesham, Scotland. When completed, this Scottish Power site, will have 140 Siemens wind turbines, and a capacity of 322 MW. When completed in Summer 2009, it will be the largest onshore wind farm in Europe and produce enough renewable energy for over 180,000 homes, which is more than two percent of the Scotland's annual electricity needs.

The Shadow Secretary of State was heartened by the ambitions expressed in the Renewable Energy Strategy Consultation launched at the end of June. “I am delighted that the Prime Minister has at last realised that we have a problem on our hands.

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Funamental conflict

The sentiment expressed in the consultation document and the accompanying statements by Gordon Brown and BERR Secretary John Hutton are surely at odds with the experience of recent months. Peter Ainsworth sees a fundamental conflict between the declarations of intent and the actions taken – or likely to be sanctioned - by the Government. “There has, for example, been a watering down of the provisions of the Climate Change Bill since it left the Lords. The Government has been teetering on the brink of giving the green light to Kingsnorth coal-fired power station and on the verge of giving the green light to a third runway at Heathrow Airport.

“And they are voting against our proposal, introduced in the Energy Bill, to switch support for renewables from the Renewables Obligation system (RO) – which has not really worked - to Feed-In Tariffs which are proven to work.”

For the record, the Renewables Obligation scheme targets energy producers with generating a pre-defined percentage of their output from qualifying renewable resources; the proportion increasing in steps to a figure of 10.4% by the year 2010-11 and then at 1% per year for the following five years.

For each megawatt-hour achieved towards their ‘obligation’, producers are assigned an RO Certificate (ROC). Failing to meet the quota set for a given year sees those producers paying for their shortfall into a fund which is distributed pro rata to the number of ROCs secured.

Feed-In Tariffs (FITs) is a mechanism that guarantees a higher rate for the generator or seller of green energy than is payable for fossil fuel generated energy. While revenue-neutral for the Treasury, FITs are widely accepted as a better way of encouraging the take up of renewables by individuals and organisations. “FITs ensure that community groups, schools, hospitals, businesses and families can have certainty that they will be rewarded by switching to green power.”

A Conservative government would not sanction the commissioning of any coal-fired power stations until there is a commercial scale carbon capture scheme attached to it.

As there is evidence that the system has been operating successfully in Germany for a number of years, Mr Ainsworth and his colleagues argue that the rejection of the system does not sit well with the Government's stated aim of encouraging the adoption of renewables and microgeneration.

Sustainability policies

Were Peter Ainsworth's remarks a knee-jerk reaction to the most recent round of Government and Ofgem statements on renewable energy, it would be easy to dismiss them as political rhetoric.

But the party has been steadily developing a portfolio of sustainability policies which it would seek to implement when in power.

Pricing of resources appears to be central to that platform. As the Shadow Secretary of State observed, "We need to price carbon across the economy, so that what we pay for goods and services today at least approximates to the price that will be paid by our children and grandchildren for the damage we are doing to the places where they will live.

"The Climate Change Levy, the present administration's principal pricing mechanism, cannot differentiate between high and low carbon sources of energy. It needs to be replaced with a Carbon Levy based on such a measure. And in parallel, it would mean introducing a Waste Heat Levy on energy generators to encourage the capture of heat which is currently lost to the atmosphere."

The tax system would need to be re-balanced to accommodate these structural changes in energy generation, without increasing taxation overall. Conservative thinking is that the polluter pays, but families and low carbon technologies are rewarded.

Mr Ainsworth is keen to see the most advanced technologies applied to energy generation. He is not fundamentally opposed to the building of new coal fired power stations in the UK, but there has to be effective carbon capture and storage (CCS) technologies in place from the outset. He challenges the use

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of the term 'carbon capture ready' which the Government has started using, as a less than valid concept. "We have said that we will not sanction the commissioning of any coal-fired power stations until there is a commercial scale carbon capture scheme attached to them."

But would the cost of commercial CCS projects be a sufficient deterrent to the construction of any generator that would require such a facility to neutralise its carbon emissions?

There is a potential source of funding for this technology, it appears. "We know that CCS is expensive but once Phase 3 of the EU Energy Trading Scheme comes into play – it introduces auctioning of carbon – there will be the money to support carbon capture and storage.

There is nothing new about any of the elements of a CCS scheme – what we have to do

The hydro electric power station at Pitlochry operated by Scottish & Southern Energy plc



It could be argued that the Government's steps to streamline planning rules, introduced recently in Parliament, will go a long way towards speeding up the construction of these much needed structures. Does Peter Ainsworth see any conflict between his Party's stand on planning and need to bring this source of zero-carbon energy on stream? "We are opposed to removing the democratic process in the way that the Government proposing."



now to make it viable is join up the components. There can be no excuse for building coal fired power stations which do not have CCS in place."

Concern over planning changes

Substituting renewable energy sources for traditional generators is clearly a more cost-effective route if the likely cost of commercial CCS systems is any indication.

If wind power is accepted as the most effective and commercially available 'alternative' form of generation, it is inevitable that a proportion of the wind turbines will be erected on land rather than at sea. That immediately raises the spectre of rounds of planning hearings with vested interests seeking to prevent the developments; almost as a matter of course.

It could be argued that the Government's steps to streamline planning rules, introduced recently in Parliament, will go a long way towards speeding up the construction of these much needed and elegant structures.

Does Peter Ainsworth see any conflict between his Party's stand on planning and need to bring this source of zero-carbon energy on stream? "We are opposed to removing the democratic process in the way that the Government proposing. The problem with the present Renewables Obligation system is that it effectively channels money to the nearest

available and the most advanced and the most mature technology - which is onshore wind. What we should be doing instead of wringing our hands over the issue is to change the nature of support so that it helps the most remote generating resources - that means offshore wind farms, wave power and solar energy.

"None of this is impossible. It takes changes to legislation and a great deal of determination but are we serious about supporting the low carbon economy?"

"There really is an enormous mismatch between the rhetoric of BERR and the delivery of renewable energy on the ground. It means reforming the confused and often contradictory way in which energy policy has been muddled through in recent years. It has to be about being clear-headed."

Fundamentally different approach

Listening to Ainsworth set out the Conservative position, it would be easy to see a change of administration in Westminster being followed simply by a different set of carbon ceilings and regulatory frameworks accompanied by some small adjustments to the tax regime for carbon.

Would the business community and public sector even notice the difference? The Shadow Secretary was adamant that there was a fundamental change of culture involved. "I am not very interested in how we deliver the low

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carbon modern economy: there is no intention to micro-manage the decisions taken by business but we do need to make it clear to business that we will build an over-arching framework for sustainability. It will enable them to have confidence to make the very substantial investments required to achieve that goal."

In the cut-and-thrust of the political battleground, opposing parties look for any chinks in each other's armour. Could a wedge be driven between the putative DEFRA head and the position of his Shadow BERR colleague: were Peter Ainsworth's environmental polices so wide reaching, for example, that they conflicted with the Party's stance on business and regulatory reform? "Alan Duncan and I have worked closely in formulating strategies over the years so that there would be no problems in implementing our environmental policies."

The 'buy-in' for the sustainability policy comes from the very top of the Conservative Party. "Everyone from David Cameron down has signed up to the fact that if we want a low carbon economy, we have to change the way in which we power all that we do.

"Fossil fuels will become progressively more expensive, so we have to be much smarter about the way we encourage business to make the investments that we want to see. But it is business that has to make those decisions, while government needs to ensure that there is a proper price on carbon."

Water key to sustainability mix

Mr Ainsworth has made many references in his commentary to power generation and the more efficiency use of energy. As a scarce natural resource, it could be argued that water should be up there alongside gas and electricity as assets in the sustainability mix.

The DEFRA Shadow has inevitably been called upon to discuss the flood crisis of 2007, and its aftermath in the Pitt Report completed earlier this year, but there appears to have been few pronouncements on water in the broader context.



It would be reasonable to assume that water will figure more prominently in Conservative strategy in the coming months. According to Peter Ainsworth, "It is the most precious resource on the planet and we need to have policies which reflect that."

Peter Ainsworth noted that the subject figured prominently in the report Blueprint for a Green Economy produced by the Quality of Life Policy Group – one of six task forces appointed by David Cameron - and published in 2007.

Likely to help shape Conservative policy on water in the run up to the next General Election, the Policy Group report highlighted the need to "... re-establish the value of this uniquely vital resource, balancing the needs of humans with those of ecosystems."

Ainsworth welcomed the Water Efficiency Awards 2009, launched recently by The Environment Agency. "They are needed to increase awareness of the issues surrounding water and what we can do to use it more sparingly. We use considerably more water per capita than an equally developed country like Germany."

As food demand starts to outstrip production; as the need for a sustainable environment stays centre stage and as the farming community finds itself being sidelined through a profound lack of understanding of its requirements, DEFRA faces challenges across the spectrum. They appear to be challenges that Peter Ainsworth and his front bench team would seem well prepared to face head on. §