



HOUSE OF LORDS

SELECT COMMITTEE ON ECONOMIC AFFAIRS

The Economics of UK Energy Policy

Call for Evidence

The Economic Affairs Committee of the House of Lords, chaired by Lord Hollick, is conducting an inquiry into *The Economics of UK Energy Policy*.

Background to the inquiry

The energy sector is hybrid and its development is the product of a complex mix of public policy, subsidies and private funding. The Government does not own or control major parts of the sector. The market is open and substantial proportions of the energy market, including much of the North Sea, the retail electricity market, and the development of wind and new nuclear, rely on international investment. Technical advances have shaped the sector but many of the advances have come from work initiated outside the UK.

UK energy policy over the last decade has focused on three objectives:

- maintaining continuous supplies of energy and minimising threats to energy security;
- ensuring that the costs of energy supply are competitive for business and individual users; and
- progressively decarbonising the mixture of energy used in the UK as a contribution to the international effort to minimise the risks of climate change.

The accelerated closure of coal-fired plants, and subsidies for renewables, have been the principal means of securing decarbonisation. Paying for subsidies by charges on consumers, rather than from taxes, has meant that prices have risen while the resultant lack of investment in baseload capacity means that continuity of supply is now seriously threatened. This suggests a dysfunctional energy market or a conflict of government policies.

The core question for the Committee is are there failures in the energy market and what measures are needed in the future to correct them?

Evidence sought

The Committee invites interested individuals and organisations to submit evidence to this inquiry. The Committee would welcome written evidence on any or all of the issues set out below. Written evidence does not need to address every question. **The questions are not listed in any particular order of importance.**

Witnesses are asked to note that the focus of this inquiry is not climate change or arguments relating to climate change science and the Committee takes as given the Government's commitment to reduce carbon emissions.

The specific questions the inquiry will seek to address are:

- What are the key economic challenges for the energy market which the Government must address over the next decade?

- Has the market and the Government responded effectively to changes in external circumstances, such as significant shifts in technology and prices?
- What are the emerging technologies which could materially change the energy market over the next decade and beyond? How should the Government promote research and development- could any shift in public funding improve the efficiency of the energy market? How long might it take for new technologies to displace the established capital stock?
- What should the future balance between the roles of the public and the private sector be? Is further expertise needed within Government to understand the issues and to negotiate with external investors and suppliers?
- Are returns for private investment in the sector adequate or excessive? How should the Government attract sufficient investment?
- What is the relationship between high energy costs and the loss of industrial capacity in the UK? What measures should be taken to address this?
- What preparations could be made to cope with the risk of a shortfall in energy supply? What would be the cost to the economy of the breakdown of the existing system?
- What alternate ways of pricing energy should be considered to reduce the burden of high energy bills, in particular on less well-off consumers?

The deadline for written evidence is 30 September 2016. The written submissions will guide the Committee's deliberations in oral evidence sessions and inform the Committee's final conclusions and recommendations.

Public hearings will be held between September 2016 and December 2016. The Committee aims to report to the House, with recommendations, in early 2017. The report will receive a response from the Government, and may be debated in the House.

The remit of the Economic Affairs Committee is to consider economic affairs. Information including membership and recent inquiries can be found on this link:

<http://www.parliament.uk/business/committees/committees-a-z/lords-select/economic-affairs-committee/>

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Written evidence should be submitted online using the written submission form available at <http://www.parliament.uk/uk-energy-policy-written-submission-form>. This page also provides guidance on submitting evidence.

If you have difficulty submitting evidence online, please contact the Committee Clerk by email to waller@parliament.uk or by telephoning 020 7219 5358.

Short submissions are preferred. A submission larger than six pages should include a one page summary.

Paragraphs should be numbered. All submissions made through the written submission form will be acknowledged automatically email.

Evidence which is accepted by the Committee may be published online at any stage; when it is so published it becomes subject to parliamentary copyright and is protected by parliamentary privilege. Submissions which have been previously published will not be accepted as evidence. Once you have received acknowledgment that the evidence has been accepted you will receive a further email, and at this point you may publicise or publish your evidence yourself. In doing so you must indicate that it was prepared for the Committee, and you should be aware that your publication or re-publication of your evidence may not be protected by parliamentary privilege.

Personal contact details will be removed from evidence before publication, but will be retained by the Committee Office and used for specific purposes relating to the Committee's work, for instance to seek additional information.

Persons who submit written evidence, and others, may be invited to give oral evidence. Oral evidence is usually given in public at Westminster and broadcast online; transcripts are also taken and published online. Persons invited to give oral evidence will be notified separately of the procedure to be followed and the topics likely to be discussed.

Substantive communications to the Committee about the inquiry should be addressed through the clerk of the Committee, whether or not they are intended to constitute formal evidence to the Committee.

This is a public call for evidence. Please bring it to the attention of other groups and individuals who may not have received a copy direct.

You may follow the progress of the inquiry at <http://www.parliament.uk/uk-energy-policy>.