



# THE POLITICAL CLIMATE

WHERE DO EACH OF THE PARTIES STAND  
ON ENERGY AND CLIMATE CHANGE?

## BRIEFING

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April 2015  
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Aldridge J and Garman J (2015) *The political climate: Where do each of the main parties stand on energy and climate change?*, IPPR. <http://www.ippr.org/publications/the-political-climate-where-do-each-of-the-parties-stand-on-energy-and-climate-change>

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IDEAS to  
CHANGE POLICY

## Introduction

As the UK's 2015 general election campaign enters its final stages, IPPR has assessed where each of the main political parties stand on energy and climate policy.

At the headline level, the cross-party consensus on tackling climate change remains broadly in place. On 14 February 2015, the leaders of the three main parties signed a joint agreement for the next parliament which reiterated their commitments to limit global temperature rises to 2°C, and to working together to deliver on the targets set out in the Climate Change Act 2008. This agreement also included a new commitment to 'accelerate the transition to a competitive, energy-efficient low-carbon economy and to end the use of unabated coal for power generation'.<sup>1</sup>

Meanwhile, all three main parties supported the UK government's negotiating position during the development of the EU's 2030 package, which was to push for a 50 per cent reduction in greenhouse gas emissions by 2030 relative to 1990 levels, and to endorse the EU's formal position for 'at least' a 40 per cent cut by that date.

However, if we look beyond this apparent cross-party consensus it becomes clear that there are significant differences between the parties in terms of their approach to energy and climate issues.

## International climate talks

International negotiations on climate change are progressing, with a major summit scheduled in Paris this winter – the 21st conference of the parties of the UN Framework Convention on Climate Change. This will be the first time since the Copenhagen summit in 2009 that world leaders have come together to try to agree a new global climate deal.

Major progress on climate issues in China and the US, and the EU's commitment to cut climate emissions by 'at least 40 per cent' by 2030, have raised hopes and expectation that a global deal can be reached. If the Paris summit achieves significant progress, it is possible that the EU could raise its 40 per cent pledge to an even more ambitious level. However, it is likely that such a commitment would involve greater use of carbon offsets from outside of the EU, and would therefore not involve the UK substantially improving upon its existing carbon reduction targets.

Ed Miliband has set out Labour's priorities for these international talks: to set a long-term goal of phasing-out *all* global carbon pollution by the second half of the century; to establish five-yearly reviews at which global ambitions could be raised; and to agree common rules for monitoring and verifying emission reductions.<sup>2</sup> The Conservatives have not set out their approach to the talks in such great detail, but have stated that they remain committed advocates of a 2°C deal. The Liberal Democrat manifesto states that they would make climate diplomacy a priority, as they have done in office, and that they would seek an international agreement that includes a goal to end net deforestation by 2020. In its manifesto, the Scottish National Party (SNP) commits to using its influence to ensure the UK plays a constructive role in the Paris talks; it will also call on the UK government to introduce a dedicated 'climate justice fund'.

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1 [http://www.green-alliance.org.uk/resources/Leaders\\_Joint\\_Climate\\_Change\\_Agreement.pdf](http://www.green-alliance.org.uk/resources/Leaders_Joint_Climate_Change_Agreement.pdf)

2 <http://www.theguardian.com/commentisfree/2015/feb/21/ed-miliband-climate-change-issue-national-security>

Reforms of the EU Emissions Trading Scheme (ETS) are due by 2021 at the latest, but could occur sooner. If these reforms are successful they will raise the price of carbon, impacting upon investment decisions and leading to substantial increases in public revenues from the sale of carbon pollution permits. Some of these new revenues are likely to be directed in a similar way to the EU's NER300 fund, which provided €300 million to help support the development of a large-scale carbon capture and storage project in Yorkshire.<sup>3</sup> To date, reforms to the ETS have been supported by Labour and Liberal Democrat MEPs, but Ukip and Conservative representatives have opposed them.

### National carbon targets

The Committee on Climate Change will publish its advice on the UK's fifth carbon budget, covering the period 2028–2032, in December 2015. The government of the day will consider this advice and, next year, take a position on what new carbon targets should go into the budget. These budgets provide a level of predictability that allows UK firms and households to plan and invest for a lower-carbon economy, and ensure that regular progress is being made towards the UK's long-term carbon targets.

In their manifestos, the Liberal Democrats and the Green party say that they would seek tougher carbon targets that would put the UK economy on a trajectory towards carbon neutrality by 2050. By contrast, Ukip is the only party that would abandon climate efforts altogether: its manifesto includes pledges to abolish the Department of Energy and Climate Change, end green energy schemes and repeal the Climate Change Act. The leaders of the three main parties may have reaffirmed their commitment to carbon budgets in the joint statement issued on 14 February, but their approach to the fifth carbon budget in early 2016 will be a key indicator of their ambition.

The Energy Act 2014 also requires that the government makes a decision in 2016 about whether to establish a new 2030 decarbonisation target for the power sector. The Committee on Climate Change, which advises the government, has stated that the target is the lowest-cost route to meeting Britain's legally binding carbon commitments, and would provide certainty for investors in the low-carbon power sector.<sup>4</sup>

Both the Liberal Democrats and Labour are committed to setting such a target, and are likely to bring the decision forward to 2015 if they are elected in May. The Conservative party, however, has rejected this approach, and does not want any new targets beyond the carbon budgets mandated by the Climate Change Act and the economy-wide 2030 target enshrined in the new EU agreement. Its manifesto states that it 'will not support additional distorting and expensive power sector targets'.

### The energy mix

A significant amount of new generation capacity will be built over the next decade, and the mix of technologies that is deployed will be greatly affected by the outcome of the election. The Conservative manifesto commits the party to scrapping subsidies for onshore wind, and giving 'local people the final say on windfarm applications'. As secretary of state for communities and local government from May 2010, Eric Pickles used his planning powers to block six of every 10 onshore wind-farm applications.<sup>5</sup> In practice, a further reduction in

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3 [http://ec.europa.eu/unitedkingdom/press/frontpage/2014/14\\_69\\_en.htm](http://ec.europa.eu/unitedkingdom/press/frontpage/2014/14_69_en.htm)

4 <http://www.theccc.org.uk/charts-data/ukemissions-by-sector/power/>

5 <http://www.theguardian.com/environment/2015/jan/21/six-in-10-uk-onshore-wind-farms-rejected-report>

the deployment of onshore wind is likely to mean that a Conservative government would need to pursue more offshore wind in the short term in order for the UK to meet its EU target of generating 15 per cent of its energy consumption from renewable sources by 2020. The Conservatives have already given some support to efforts to develop a domestic supply chain for offshore wind technology,<sup>6</sup> but a knock-on effect of this is that the levy control framework – the total budget raised from energy bills to pay for clean energy schemes – will cover less generating capacity, because offshore wind is more expensive than onshore. There is also some debate over the role of solar energy. Although the former Conservative energy minister, Greg Barker, set out an ambition for 20GW of solar capacity by 2020, his replacement, Amber Rudd, said in parliament that solar farms are ‘not particularly welcome as we go forward’.<sup>7</sup> The party’s manifesto is not clear on what support it would offer to solar deployment.

Ukip’s manifesto states that it would end all subsidies for wind and solar energy, and instead seek to resuscitate the coal industry and incentivise fracking for shale gas. All three of the main parties are also supportive of shale gas exploration, albeit to varying degrees: in government, the Conservatives have championed it, while Labour has set out a series of environmental conditions that it believes individual fracking operations should fulfil before they are allowed to go ahead. At a local level, Labour-run Lancashire county council has refused applications for exploratory drilling sites, due to concerns over noise and the pressure it would put on local infrastructure. Similarly, the Labour and SNP administrations in Wales and Scotland respectively have supported moratoriums on fracking in response to environmental concerns.<sup>8</sup> The Green party, in its manifesto, says that it is ‘emphatic and unambiguous in proposing an outright ban on fracking’.

Labour, in its manifesto, says it would introduce an energy security board ‘to plan and deliver the energy mix we need, including renewables, nuclear, green gas, carbon capture and storage, and clean coal’. The Liberal Democrats would set an indicative target of 60 per cent of electricity being generated from renewable sources by 2030 in order to decarbonise the power sector, and would use emissions performance standards to phase-out unabated coal generation by 2025.

Perhaps the most important energy policy decision for the incoming government will be about the future of the levy control framework. If the government sets a 2030 target to decarbonise the power sector it will need to explain how that target will be met, and how measures taken to that end will be paid for. This will be a considerable challenge, as any consequent increases in energy bills are likely to be heavily scrutinised. If the government decides against a 2030 target then the size of the levy control framework will be the principal indicator of ambition on low-carbon deployment through the 2020s.

Since it was established by the Coalition in 2012, the Green Investment Bank (GIB) has provided some financial support for clean infrastructure. It has so far committed £1.8 billion to the UK’s green economy, and leveraged around three times that amount;<sup>9</sup> it has backed more than 42 green infrastructure projects, primarily in the fields of offshore wind, energy efficiency, waste and bio-energy, and community-scale renewables. Labour had previously committed to giving the GIB ‘powers to borrow and the freedom to act as a bank capable of attracting

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6 [http://www.siemens.co.uk/en/news\\_press/index/news\\_archive/2014/major-uk-offshore-wind-manufacturing-site-to-be-built-by-siemens.htm](http://www.siemens.co.uk/en/news_press/index/news_archive/2014/major-uk-offshore-wind-manufacturing-site-to-be-built-by-siemens.htm)

7 <http://www.publications.parliament.uk/pa/cm201415/cmhansrd/cm141106/debtext/141106-0001.htm>

8 See <http://www.walesonline.co.uk/news/wales-news/end-fracking-wales-welsh-government-8638802> and <http://www.theguardian.com/environment/2015/jan/28/scotland-announces-moratorium-on-fracking-for-shale-gas>

9 [http://www.greeninvestmentbank.com/media/44756/gib\\_ar\\_transactions\\_300315.pdf](http://www.greeninvestmentbank.com/media/44756/gib_ar_transactions_300315.pdf)

new investment',<sup>10</sup> but the party's manifesto states only that a 'timetable' will be set out for when the bank will be given these powers. The Liberal Democrats support giving the GIB borrowing powers, and say in their manifesto that they would do this by 'increasing its capitalisation, expanding its remit, allowing it to raise funds independently and enabling it to issue green bonds.' In summer 2014 the Conservative climate and energy minister Greg Barker set out plans for the GIB to 'back projects in developing countries, using money from its £3.87 billion International Climate Fund',<sup>11</sup> and the Coalition government initially stated that it would be granted borrowing powers in 2015–2016 once the fiscal target for debt to be falling as a percentage of GDP has been met.<sup>12</sup>

## Energy efficiency

Energy efficiency could play a far greater role in bringing down consumer bills, alleviating fuel poverty, reducing the need for expensive new infrastructure and, of course, reducing carbon emissions. In its manifesto, Labour has set out plans to upgrade at least five million homes over 10 years by reforming existing government programmes like the energy company obligation. Interest-free loans would, under its plans, be provided to up to one million households to cover the costs of these improvements, and the party has committed to making energy efficiency a national infrastructure priority, which would effectively allow government capital budgets to be spent on this policy area. Labour has also consulted on a new 'decency standard' for landlords, whereby all properties in the private rented sector would have to be brought up to energy performance certificate 'C' standard by 2027. In the commercial sector, Labour has committed to explore what support can be given to SMEs that face difficulties in accessing upfront capital to realise long-term savings.

The Liberal Democrats manifesto calls for a heating and energy efficiency act to 'boost renewable and district heating programmes, bring in tough new energy efficiency standards for homes, and step up action on fuel poverty – to cut energy bills'. They set out a comprehensive package of proposals, with the long-term ambitions of every home reaching at least an energy rating of EPC band 'C' by 2035, and of reducing energy demand by 50 per cent by 2030. They would continue to support the Green Deal Communities programme, and work with the Green Investment Bank to 'develop innovative financial products for whole street or district-wide energy efficiency retrofits.' They also commit to using infrastructure funding to provide interest-free loans, and to introducing a subsidy scheme for solid wall insulation.

There is less detail in the Conservative manifesto about the party's plans in this area, but it does include a goal to insulate one million homes over the next parliament. The Green party has said it would introduce a £45 billion retrofit programme, delivered by local authorities, to insulate nine million homes by 2020. The SNP has said it would stick with the energy company obligation, but would push for it be funded through general taxation rather than a levy on energy bills. Ukip would abolish the levies on energy bills that pay for all energy programmes, and their manifesto makes no mention of any new funding for energy efficiency.

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10 <http://www.shadowdecc.org.uk/caroline-flint-speech-to-the-economist-energy-conference-2014>

11 <http://www.rtcc.org/2014/06/11/uk-outlines-new-international-climate-finance-strategy>

12 <http://www.parliament.uk/briefing-papers/sn05977.pdf>

## Energy markets

The energy market is currently being reviewed by the Competition and Markets Authority (CMA), which found ‘reasonable grounds for suspecting that features of the energy market were preventing, restricting or distorting competition’.<sup>13</sup> The results of this review will be published by the end of 2015.

The Conservatives’ manifesto commits them to implementing the CMA’s recommendations. The Liberal Democrat manifesto does not comment on the CMA, but says that the party will ‘continue to back new entrants to the energy market, smart meters and faster switching to promote proper competition, aiming for at least 30 per cent of the household market to be supplied by competitors to the “Big 6” by 2020’.

The Labour party has set out more comprehensive plans for reforming the energy market: they would freeze energy bills until 2017 while they undertake a ‘reset’ of the market. This reset would include a separation of the generation and supply businesses of the ‘Big Six’ energy companies, the introduction of an open exchange for electricity trading, and a new energy watchdog to replace Ofgem. To deliver reforms of this scale within 18 months is a very ambitious undertaking, one that would require a lot of detail to be ironed-out very quickly.

The Green party would go one step further and split up the Big Six energy companies so that they cannot both generate and supply energy to customers. They have also committed to making consumer energy tariffs more progressive by charging larger consumers more per unit of power. The SNP would give greater powers to Ofgem to ensure that any reduction in the wholesale costs of energy are passed on to consumers.

## Conclusion

In the event of a hung parliament some of the party positions set out in this briefing could be traded away during negotiations, but regardless of its makeup the next government will face some big decisions early in the parliament. Decisions over the UK’s role in the Paris talks, the fifth carbon budget, a 2030 target to decarbonise the power sector and the future of low-carbon funding will all have profound consequences for the UK’s energy and climate change pathway to 2030. Increasing attention will undoubtedly be paid to the costs of low-carbon policies as the costs of the transition increase – managing this, and ensuring that it is as just and low-cost as possible, will be a defining challenge for the incoming government.

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13 <https://www.gov.uk/cma-cases/energy-market-investigation>