

POLICY
THUMBNAIL

Internationally Competitive Energy

Cutting Bills & Saving UK Manufacturing



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THE PROBLEM

The international Net Zero pledges which Britain helped create aren't stopping global warming the way many people hoped. Atmospheric CO2 keeps rising in spite of them, so we will face rising seas, warmer weather & stronger storms. UK energy costs are already amongst the most expensive in the world and current Government policies will push them higher while limiting consumer choices (eg by banning particular types of cars or home heating), costing jobs, investment and growth compared to other countries.

THE SOLUTION

Accept the reality that Net Zero is not being achieved & change course, delivering cheap, clean & secure energy for UK while preparing for a warmer climate by:

- 1) Abolishing the legally-binding Net Zero targets & replacing them with a plan (below) to make UK energy prices rank in the 5 cheapest G20 nations, with CO2 emission levels below the global average every year¹.
- 2) Upgrade UK building & infrastructure design standards to cope with more extreme weather & higher temperatures in future, while reducing construction costs & delays by cutting red tape costs using the approach outlined in [Slashing Red Tape](#).
- 3) Restart UK fossil fuel extraction (eg North Sea drilling & UK coking coal mining) immediately.
- 4) Abolish subsidies which are currently adding costs to energy bills & pushing up taxes, which include:
 - a) Generation & development subsidies of rival energy technologies, including Contracts for Difference. Instead rewire UK energy markets to discover the real like-for-like costs of unsubsidised, on-demand, sufficiently-clean power, so wholesale & retail customers can choose the best or cheapest without political meddling, as rival generating technologies leapfrog each other in future.
 - b) Consumer subsidies of products like electric vehicles or heat pumps, so customers can choose the best or cheapest & providers can compete on a level playing field, in the same way as anything else.
- 5) Introduce sharper competition & choice to drive down energy bills for manufacturing industry & households alike. This will mean:
 - a) Amending Ofgem's legal duties so it has a ranked list, approved by Parliament, of no more than 4 outcome-based standards it must achieve (eg sharper competition in all parts of the energy sector; secure & resilient energy supplies at all times; yearly reductions in red tape costs). Its performance in delivering them will be regularly & publicly assessed by the National Audit Office, with a one-word summary judgement of overall success or failure. A below-par evaluation will require Ofgem's sponsoring Minister to publish a performance improvement plan within 3 months to fix the problem.
 - b) An immediate, one-off 'regulatory reset' programme (with time-limited additional legal amendment powers if needed) to amend or remove old regulations which have been replaced by Parliament's tough new competition-based standards in [a] above. This will include abolishing restrictions such as banning gas boilers in new-built homes, or new petrol and diesel cars from 2030
 - c) Update & improve the current energy price cap, replacing it with a relative cap as outlined in Chapter 6 of [Reforming The Energy Price Cap](#).
 - d) Ending regulatory price-setting. Where competition is difficult (eg in the electricity transmission wires & gas pipe

¹ CO2 per £ of UK GDP, including CO2 embedded in imports; UK achieves this standard comfortably at present

infrastructures, which are network monopolies) the regulator should auction the operating licenses every 5 or 10 years. Rival firms would bid for the right to supply secure & resilient energy to customers using the network infrastructure in each area, and the one which promised the cheapest customer bills would win.

The bid contracts would include a small preset lease or rent payment for using the network infrastructure so current owners wouldn't lose out. The new license holders would be responsible for maintaining the equipment to deliver the regulator's quality standards as promised in their auction bids, and would earn ownership shares for any new infrastructure capacity they added. Any purchases or sales of infrastructure shares would be promptly & publicly reported so operators can take the true condition & value of each network into account in any future auction bids, and so the regulator can adjust the preset auction equipment lease payments accordingly too.

Any firm that failed to deliver the standards or prices it had promised in its bid would lose their license which would be reaucted instead.

- 6) Create a sunset clause to abolish the planned Carbon Border Adjustment Mechanism (CBAM) automatically once unsubsidized UK energy costs rank amongst the 5 cheapest in the G20. And until then:
 - a) Exempt UK manufacturing exports from the CBAM so they have a level playing field to compete against products made with cheaper but dirtier energy.
 - b) Include all domestic manufacturing industries in the CBAM, for the same reason.
 - c) Use any net receipts to cut fuel duty or green levies on energy bills, so it can't become a "stealth tax".
 - d) Leave the EU Emissions Trading Scheme (ETS) immediately, because it is designed to push future carbon prices even higher to achieve Net Zero

THE BENEFITS

- a) Abolishing legally-binding Net Zero targets reflects the inconvenient truth that the international COP Net Zero policies are not delivering what was intended & imposing very high economic costs in the process.
- b) Adopting a new target of UK CO2 emission levels ranking below the global average is more realistic (because the COOP Net Zero targets aren't working in practice); more rational (because it includes carbon embedded in imports, which COP does not) & still ensures UK is one of the cleanest economies on the planet
- c) Introducing new & cheaper standards to update UK buildings & infrastructure for higher temperatures & more extreme weather is the cheapest & least-disruptive way to cope with a warming planet, & will also reduce the planning delays, uncertainties & red tape costs which make Britain one of the slowest & most expensive places in the world to build anything.
- d) Restarting UK fossil fuel extraction will reduce carbon emissions and costs by replacing imports with cleaner & more secure supplies domestically-produced supplies instead.
- e) Sharper, subsidy-free competition throughout the energy sector will steadily improve efficiency & cut costs to make UK unsubsidised energy prices rank in the 5 cheapest G20 nations as soon as possible. This will:
 - revive & rebuild UK manufacturing industry
 - reduce the costs of living so household budgets go further
 - remove bureaucratic costs and delays which are holding back UK jobs, growth and investment
 - save taxpayers money
- f) Updating the CBAM will drive a renaissance in jobs, investment and growth in UK manufacturing, by creating a level playing field where green, low-carbon British products will become cheaper and more competitive compared to rivals made with dirtier, cheaper energy abroad. Once the rewired energy sector is producing internationally-competitive low-cost power ranked in the top 5 G20 nations (see [e] above) the sunset clause will deliver freer trade by abolishing the CBAM entirely.



THE SOUNDBITES

"We may not like how the international Net Zero pledges are failing to stop global warming, but it wouldn't be right to pretend nothing is wrong. The world will get warmer no matter what Britain does, so we've got to get our buildings and infrastructure ready to cope"

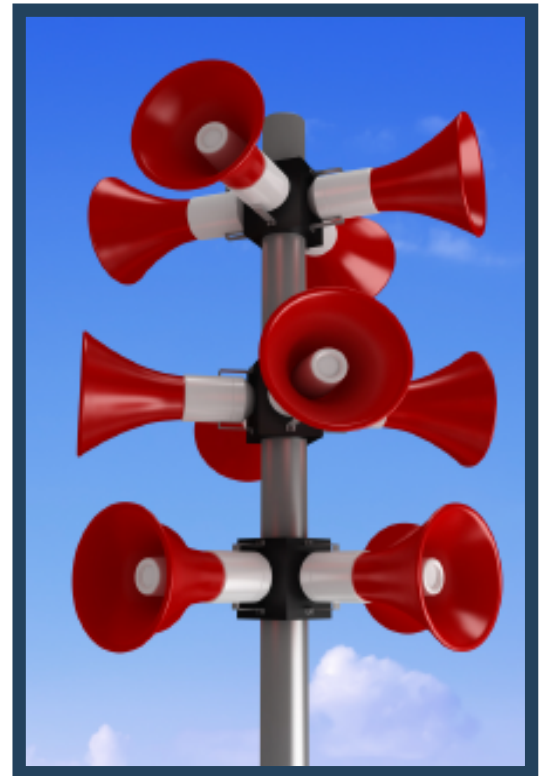
"The international Net Zero pledges may not be working properly, but our new approach will make sure Britain is always one of the cleaner economies on the planet."

"Ed Miliband's crazily-expensive Climate Change Act has created sky-high energy prices which are wiping out British manufacturing jobs & saddling families with unaffordable bills. Decarbonisation shouldn't mean deindustrialisation, but that's what will keep happening unless we change course quickly."

"We want to spark the rebirth of UK manufacturing, so Britain becomes the clean and green workshop of the world once more."

"Politicians can't predict the future, so they shouldn't be making big bets on new energy technologies with taxpayers' money. Sometimes it's better to keep your mouth shut, your hands in your pockets, and let investors & businesses work out what customers will want instead."

"Sharper competition will mean cheaper bills, faster economic growth, & no need for all the bossy red tape banning gas boilers or petrol cars either"



THE REBUTTALS



1. How can you claim to be serious about the planet's future when you are abandoning Net Zero like this?

It can't be right to pretend nothing is wrong when everyone knows the planet will miss the COP 1½ degree target. This is a new & better approach which will deliver cheaper energy while making sure Britain is always one of the cleaner economies on the planet.

2. Does this mean you are giving up on nuclear power?

On the contrary. We've got to re-learn how to build nuclear generation cheaply without sacrificing safety, so nuclear power can become part of our long term energy mix once more.

3. Why are we copying the EU with this CBAM idea? Isn't this reversing Brexit?

Hardly. Updating the CBAM will let British manufacturers compete on a level playing field against rivals made with dirtier and cheaper energy. And once

UK has internationally-competitive low-cost power again, the sunset clause will deliver freer trade by abolishing the CBAM entirely.

4. Aren't you abandoning free markets by rewiring energy trading to kill off marginal pricing? Won't that push energy bills even higher?

Quite the opposite – in fact we are making competition stronger. Our current energy markets are broken & distorted by complicated, expensive red tape & politically-driven subsidies. Plus they ignore important costs of things like backup generation when the wind isn't blowing & the sun doesn't shine. These rewiring proposals would heal our energy markets, not kill them.

5. Why are you making it unaffordable for people to buy [electric cars / heat pumps / a particular renewable energy technology]?

The only thing that's unaffordable are the true underlying prices of these technologies. Every time we subsidise them for a few people, we make everyone else's energy bills or taxes higher. We need to cut energy bills for the many, not the few, which is exactly what our proposals will do.

6. Why aren't you supporting [electric cars / heat pumps / this or that renewable energy technology] anymore? Don't you want the green jobs & industries of the future to be based here?

We agree that reviving British manufacturing is vital, in both new & established industries too. But the reason why decarbonisation has become deindustrialisation isn't because of subsidies, but because our energy bills & other costs are some of the worst in the world. These proposals will cure the underlying causes of our manufacturing decline, rather than bandaging the symptoms with subsidies.

