PRESS RELEASE
For immediate release, 2pm Monday 5 June 2017

BREXIT AS CLIMATE POLICY
The agenda on energy and the environment
Centre for Economic Performance report
#GE2017Economists @CEP_LSE election analysis

The Great Recession and a sluggish economic recovery were instrumental in meeting the legally binding climate change targets that the UK has set for itself. But without more drastic policy interventions, it is unlikely that future targets will be met – unless the more extreme forecasts for the impact of Brexit on economic activity are realised.

What’s more, most Brexit scenarios would see the UK leaving the European Union’s emissions trading system (EU ETS), which is a key instrument of climate policy all over Europe, including the UK. And deeper, not less, integration with European energy markets is going to be an important route to keeping power prices lower.

These are among the conclusions of a new report from the Centre for Economic Performance (CEP) – the latest in a series of background briefings on key policy issues and manifesto promises in the June 2017 UK general election. Among the findings on energy and climate policies:

- All parties acknowledge that climate change is a bad thing and needs to be addressed. They all also acknowledge that high energy prices are a pressing issue for many UK households and businesses.

- The Conservatives offer little concrete policy detail apart from vowing to support shale gas, a technology that the other parties would ban outright.

- Labour wants to part-nationalise the energy sector. This is based on the idea that high energy prices are the consequence of unfair practices by energy retailers and suppliers, but there is not much evidence for that claim.

- Lighter touch regulation seems more appropriate in this area along with directly targeted support of the ‘fuel poor’; proposals that feature in both the Labour and Liberal Democrat manifests.

- Further integration with European energy markets is also a sensible strategy to keep power prices lower in the UK. But only the Liberal Democrats are sensitive to this issue and its delicateness in the context of Brexit.

- All parties express support for the legally binding climate targets that the UK has set itself. To some extent, this is ‘cheap talk’ as the targets have been generously met so far. But this was primarily due to a weak economy. It is not clear that the targets will be so easily met in the future – unless the worst-case scenarios for the damage caused to UK GDP by Brexit are realised.

- The parties offer no detail about how climate policy could be tightened in the future to ensure that the targets are met. Moreover, Brexit could lead to a vacuum in climate policy-making as the UK would be likely to leave the EU ETS, which currently regulates nearly half of emissions.
More attention should also be given to how the UK’s dismal performance in clean innovation could be improved. Because of higher knowledge spillovers in this area, such a strategy could also help to improve economic growth.

Promising a carbon price of at least £50 per tonne of carbon along with a spending target for clean research and development (R&D) could provide a useful addition to the policies offered in the manifestos.

Author of the report Dr Ralf Martin comments:

‘Once upon a time – not so long ago – the UK’s political parties were barely distinguishable when it came to energy and climate policies. Not anymore: while similarities remain, the manifestos offer some stark differences in their treatment of this policy area.’

‘The Conservative manifesto confines itself to precisely three things: first, support for shale gas development, including easing of existing regulations; second, opposition to onshore wind; and third, an independent review into what is going on with fuel prices.’

‘In stark contrast, both Labour and the Liberal Democrats oppose shale gas development categorically. They also support the development of tidal power and mention carbon capture and storage as something they want to promote.’

‘Perhaps the most revolutionary proposal in this area comes from Labour, which proposes to renationalise the energy sector at least partially. The idea is that publicly owned energy companies operate alongside private ones, offering customers a fairer deal.’

‘None of the manifestos provides much comment on how the UK could improve its relative weakness in clean innovation. This would not only be a sensible strategy to affect emissions beyond the UK’s borders. It could also form part of a strategy to improve sluggish UK growth and productivity.’

ENDS

Notes for editors:

‘Brexit as Climate Policy: The Agenda on Energy and the Environment’ by Ralf Martin is the latest in CEP’s #GE2017Economists series.

Objective, brief and non-technical, CEP Election Analysis is a series of background briefings on the policy issues in the June 2017 UK General Election.

This series discusses the research evidence on some of the UK’s key policy battlegrounds, including education, health, immigration, industrial strategy, living standards, regional policy, climate change and Brexit.

These analyses are provided by some of our expert researchers and draw on some of our past and current research.

For further information, contact:

Ralf Martin: R.Martin@lse.ac.uk
OR Romesh Vaithilingam: romesh@vaitilingam.com

Centre for Economic Performance
London School of Economics and Political Science
Houghton Street, London WC2A 2AE UK
Email: cep.info@lse.ac.uk; Tel: +44 (0)207 955 7673
Twitter: @CEP_LSE  CEP’s Director: @s_machin_