Liberal Democrats in coalition: climate and energy

The coalition's climate and energy policy: from consensus to conflict

Neil Carter

Chris Huhne at the UN climate conference, Cancun, 2010

> 'A flagrant reversal of a totemic commitment … When I raise it with Osborne he just says: "I don't believe in this agenda. Of course we had to say all this stuff in Opposition."'[1] (Nick Clegg)

> 'For me, the green agenda is important. For Nick it's existential.'[2] (David Cameron)

It had all started so well. Conservative and Liberal Democrat negotiators encountered few difficulties agreeing an ambitious agenda for climate change and energy policy.[3] The coalition agreement promised to 'implement a full programme of measures to fulfil our joint ambitions for a low-carbon and eco-friendly economy'.[4] It outlined a litany of climate change mitigation measures that reflected David Cameron's embrace of the green agenda in opposition and the Liberal Democrats' longstanding environmentalism. Keen to make a mark in this policy area, the Liberal Democrats demanded the Department for Energy and Climate Change (DECC) with one of their leading lights, Chris Huhne, as Secretary of State (replaced by Ed Davey in February 2012). If promises made in Opposition could be believed, even the Treasury appeared onside, for George Osborne had declared: 'If I become Chancellor, the Treasury will become a green ally, not a foe'.[5] Yet the apparent harmony was short-lived. By late 2013, Nick Clegg, the Liberal Democrat leader, reflected that: 'Energy and environmental policy has in many ways now become the biggest source of disagreement in the coalition. I have spent more time arguing about the details of this with Cameron and Osborne than any other issue'.[6] Thus, despite Cameron promising to lead 'the greenest government ever', it is his despairing plea to his aides to 'get rid of all the green crap' that is equally well remembered. This article assesses the coalition's record on climate policy, focusing primarily on the energy sector.

The path-breaking Climate Change Act 2008 (CCA) set challenging greenhouse gas (GHG) emissions reduction targets of 34 per cent by 2020 and 80 per cent by 2050 compared to 1990 levels, backed by five-yearly carbon budgets. Progress towards these targets during the coalition government was mixed. On the positive side, UK emission levels in 2015 were below the annual average permitted in the second and third carbon budgets; emissions must fall by 2–3 per cent annually, and since 2012 they have fallen at 4.5 per cent per annum.[7] However, the reductions were almost entirely in the power sector where renewables have steadily replaced coal; elsewhere emission levels have flat-lined. Without reductions in the industry, buildings, agriculture and transport sectors in particular, the UK will not meet its targets beyond 2020. However, rather than evaluate the coalition on an outcome that is not unequivocally linked directly to its actions, it is more helpful to examine the policy measures it implemented (or did not).

Climate policy had been fundamentally transformed under the Labour government since 2006, notably through the CCA and the ambitious target, set by the EU Renewable Energy Directive, to source 15 per cent of all energy from renewables by 2020.[8] Labour instigated a hugely interventionist programme with a raft of policies and major investment in renewables and low-carbon infrastructure; the coalition agreement represented a continuation of this strategy.

However, implementing the coalition programme proved more contentious than its architects had anticipated. Climate policies provoked conflicts between DECC and the economic ministries – the Treasury and the Department for Business, Skills and Innovation (BIS) – which were prioritising austerity budgeting and anxious about anything that might damage UK economic competitiveness.[9] There were disagreements between the coalition partners, as a significant tranche of Conservative MPs became increasingly resistant to progressive climate policy measures. Tensions also arose, inevitably, between the three core energy policy objectives: affordable consumer prices, security of supply, and GHG emissions reductions.

One early conflict concerned the government's decision whether to accept the independent Climate Change Committee's (CCC) recommendation for a fourth carbon budget (for 2023–2027). Cabinet splits were revealed in a leaked letter from Vince Cable (Liberal Democrat BIS Secretary) to Clegg and Osborne expressing concern that the proposed carbon reduction targets risked 'burdening the UK economy' and 'undermining the UK's competitiveness'.[10] Several other cabinet ministers also wanted weaker targets. Cameron eventually intervened to secure approval of the budget, although Osborne insisted on a 2014 review to assess whether it was negatively affecting the UK's industrial competitiveness. In the event, the 2014 review left the carbon budget untouched, although in the interim its looming presence cast a negative light on the coalition's climate commitment.

The proposal for a Green Investment Bank (GIB) to support investment in low-carbon infrastructure encountered similar inter-departmental tensions: when Cable and Osborne initially queried the availability of funds for it, Clegg, Huhne and Oliver Letwin formed a common front against Treasury foot-dragging. Nevertheless the Chancellor promised an initial investment of £3 billion from the Treasury to leverage private-sector capital to fund projects, although the GIB wouldn't be allowed to raise its own capital until at least 2015. The GIB's priority areas were offshore wind, waste and bioenergy, and non-domestic energy efficiency, and by mid-2015 the bank had invested in fifty-two green infrastructure projects and seven funds in over 240 locations around the UK, directly committing £2.1 billion in transactions worth £8.1 billion – and it had made a small profit.[11]

The Labour government had launched a huge £30 billion programme of financial support for renewable electricity and heat up to 2020 and introduced a feed-in tariff (FiT) in April 2010 to incentivise small-scale renewable energy production. The coalition continued this policy, which leveraged massive private-sector investment, leading to the share of electricity generated from renewable sources increasing from 7 per cent in 2009 to 26 per cent in 2015, of which 53 per cent was from wind, 33 per cent from biomass and the rest from solar photovoltaic and hydroelectricity.[12] Meanwhile, the coalition designed a major reform of the financial support system for renewable energy development. The Energy Act 2013 outlined the phasing out of the expensive renewables obligation (RO) by 2017, replacing it with the Contract for Difference (CfD) mechanism, a long-term contract enabling low-carbon electricity generators to recoup their investment costs in renewables (and nuclear) via fixed prices for electricity generation. CfD is intended to provide certainty and revenue stability to generators while protecting consumers from paying higher support costs when electricity prices are high. The first twenty-seven CfDs were awarded in February 2015, worth £315 million to deliver 2.1GW of renewable energy leading up to 2020, with significantly lower prices paid for renewable schemes than DECC had expected.[13] The carbon price floor was introduced to provide additional certainty for investors in low-carbon technologies by establishing a minimum price for carbon,

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although it was widely criticised as costly and ineffective.[14]

Indeed, there was considerable uncertainty in the renewables sector by the end of the coalition. The threat posed by the Chancellor's levy control mechanism, which capped the overall subsidy payable to renewables, had been deferred in November 2012 when Ed Davey persuaded the Treasury to lift the cap to £7.6 billion by 2020, thereby encouraging both short-term and medium-term investment. But when the wholesale price of energy fell during 2014 the potential threat posed by the levy resurfaced. There were also some chaotic policy shifts, particularly affecting the solar industry, which did little for the industry's long-term security. Large-scale solar installations grew so fast – quicker than anyone had anticipated – that they outstripped the allocated budget, prompting the government to remove their eligibility for RO support from 2015; while microgeneration on domestic and business rooftops benefited from a very generous FiT, which was then cut to one half and then one third of its 2010 level. Loss of confidence in renewables also reflected the growing opposition to onshore wind power on the Conservative backbenches, whipped up by a hostile right-wing press. As Chris Huhne resigned, 101 MPs wrote to Cameron urging the removal or a dramatic cut in the subsidies paid to wind farm developers.[15] Cameron later appointed John Hayes, who opposed wind farms, as a junior energy minister, although after Hayes directly contradicted Davey, the latter insisted Hayes be removed from DECC. Clegg later had to block a proposal from Cameron and Osborne to cap the construction of onshore farms. When rising domestic energy prices became politically contentious in 2013, the criticism of wind power expanded to a broader assault on the 'onerous' green levies that contributed to increased consumer prices. With political pressure ramped up by Labour leader Ed Miliband's promised energy price freeze, Cameron reportedly made his 'get rid of all the green crap' comment as a panicky government transferred some environmental levies from customers to the taxpayer amounting to a £50 price reduction whilst also trying to shift the blame onto the energy utilities.[16]

The coalition echoed Labour in embracing nuclear power as a large-scale low-carbon energy source to replace ageing coal and nuclear power stations. The coalition agreement circumvented longstanding Liberal Democrat opposition to nuclear power by promising that new reactors would receive no public subsidy and allowing their MPs to abstain in any parliamentary vote on the issue. But delivering even one new nuclear power station proved challenging. The EDF-led Hinkley Point C consortium was offered a CfD for thirty-five years at a very generous index-linked £92.50 per MWh, plus a £2 billion Treasury guarantee for construction finance at a potentially huge cost to the taxpayer.[17] Yet the coalition still left office without finalising the deal.

An alternative solution to the electricity gap was shale, which had revolutionised the US energy sector by reducing prices and slashing emissions. Shale gas is a fossil fuel with lower emissions than coal so it would provide a short-term reduction in GHG emissions, although a successful shale industry would certainly draw investment funds away from renewable energy. A temporary moratorium on drilling was imposed after exploratory drilling near Blackpool caused minor earth tremors. Huhne was unconvinced by its potential, arguing that shale gas would not take off any time soon and dismissed claims that it would reduce energy prices in Europe.[18] Despite provoking significant popular opposition, Cameron and Osborne were both strong advocates and after Huhne resigned they worked with Davey to make it happen. Yet, despite passing supportive legislation, including offering payments to local communities where drilling would take place, no further drilling occurred before the coalition left office.

The coalition reaffirmed Labour's commitment to fund four carbon capture and storage (CCS) projects, a potentially critical technology for decarbonising the economy, but the programme fell far behind schedule. By 2015 three projects were receiving funding, although none would be operational before 2020. Numerous unanticipated technical problems hampered progress, but, again, so did consistent Treasury reluctance to fund CCS.[19]

Energy efficiency is an essential element of the UK's low-carbon strategy because its housing stock is among the least energy-efficient in Europe. The coalition's flagship initiative, the Green Deal, was enthusiastically supported by both coalition partners, including Osborne.[20] The Green Deal was a finance mechanism enabling householders to borrow money to insulate their homes, with repayments channelled through their energy bills, partly offset by lower costs resulting from the energy efficiency measures. The innovative idea was to tie the loan to the property rather than the current occupiers. Great claims were made about the Green Deal. Greg Barker, Conservative Climate Change Minister, declared that it had the potential to improve the entire housing stock of 26 million houses, yet by 2015 just 14,000 households had taken out a loan. DECC predicted that Green Deal loans would be worth around £1.1 billion by 2015; in practice it was just £50 million. The scheme cost £17,000 for every loan arranged, with minimal reductions in CO_2 emissions.[21] In short, the Green Deal was a policy disaster. The scheme was too complex, hardly tested on consumers, the Treasury-imposed interest rates of 7–10 per cent for the loans were unattractive, and the marketing emphasised financial benefits to consumers rather than the comfort and

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It quickly became obvious that many Conservative MPs didn't support much of what their own manifesto said about climate change. The involvement of the Liberal Democrats enabled those Conservatives who did believe in Cameron's modernisation project, such as Letwin, Barker, William Hague, Caroline Spelman and some others, to hold the line against the bulk of their own party (although Cameron himself often wobbled under pressure).

environmental benefits that might have proved more appealing. The less-hyped complementary Energy Company Obligation (ECO), which copied previous schemes by requiring energy suppliers to install measures that reduce CO_2 emissions or bills, did improve energy efficiency in 1.4 million homes, although DECC was unable to determine its impact on fuel poverty.[22]

The roll out of smart meters gathered pace slowly, held back by delays in setting up the data infrastructure underpinning the programme, although DECC remained confident that the roll-out to 30 million homes and small businesses planned for 2016–2020 was still on target.[23] The potential for direct energy savings appears limited, but smart meters will provide flexibility over the timing and demand for electricity that will enhance the integration of renewables and deliver greater energy security.

Conclusion

The coalition continued Labour's interventionist climate policy, leaving an energy sector characterised, perhaps inevitably, by a fiendishly complex set of practices and extensive government micromanagement of energy markets.[24] The success stories were the rapid growth of renewable energy and the creation of the Green Investment Bank. By contrast, little progress was made delivering greater energy efficiency, advancing CCS or improving business efficiency.

The coalition's experience underlines the important general point that delivering climate progressive climate policy requires action across government. However, apart from the Foreign Office, Environment, and International Development, few departments were sympathetic to the climate agenda and some, notably the Treasury, BIS (sometimes) and the Department for Communities and Local Government (DCLG), were often actively hostile. The continued Treasury subsidies for North Sea oil and gas exploration, the unwillingness of DCLG to promote higher building insulation standards or push through approvals for onshore wind farms, and the failure to stop rising emissions from transport all illustrate the failure to mainstream climate change policy.

If this is a challenge common to all governments, a more specific lesson concerns the Liberal Democrats' critical role in keeping the climate agenda on track in the face of growing Conservative hostility.[25] Despite the ease with which the climate section of the coalition agreement was negotiated, given the closeness of the two parties' manifestos, it quickly became obvious that many Conservative MPs didn't support much of what their own manifesto said about climate change. The involvement of the Liberal Democrats enabled those Conservatives who did believe in Cameron's modernisation project, such as Letwin, Barker, William Hague, Caroline Spelman and some others, to hold the line against the bulk of their own party (although Cameron himself often wobbled under pressure). Clegg's increasing despair at continually having to fight the Conservatives on the green agenda reflected battles of varying intensity with Cameron and, especially, Osborne, over the fourth carbon budget, the GIB, wind power and over their willingness to blame high domestic energy bills on green policies.[26] Indeed, the positive impact of the Liberal Democrats has become clearer in retrospect, as the Conservative government has moved rapidly to dismantle many elements of the climate policy, including DECC itself.[27]

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Commentary: former minister

Chris Huhne

The low-carbon transition became more difficult because of the unique British circumstances surrounding the Lehman-crisis-driven downturn in the economy. This entailed an unprecedentedly prolonged period of falling real incomes – a squeeze which highlighted any high-profile costs. There are few more substantial bills than energy. Energy policy became tough politics.

Neil Carter provides a fair assessment of coalition energy and climate policy. It is worth, though, laying out some big forces. The concern of the Treasury and the Business department about energy costs did not just flow from scepticism about green objectives, though that helped. Nor was it just cynicism from the Conservatives. The low-carbon transition became more difficult because of the unique British circumstances surrounding the Lehman-crisis-driven downturn in the economy. This entailed an unprecedentedly prolonged period of falling real incomes – a squeeze which highlighted any high-profile costs. There are few more substantial bills than energy. Energy policy became tough politics.

Contracts for difference (CFDs) were hampered, because of the wide range of potential future costs depending on projected energy prices. The logic, though, was right: by guaranteeing energy prices for low-carbon projects, the government could reduce the interest rate charged by banks on the capital investment. Since almost all low-carbon sources of electricity are capital intensive – nuclear, offshore and onshore wind, solar – getting the cost of capital down was and is crucial to the best deal for consumers. However, a big mistake on the part of the Department of Energy and Climate Change (DECC) was allocating too many CFDs administratively based on guesstimates of costs and returns. As we subsequently saw, the process of Dutch auctions – where the lowest bidders win – has proved better at getting costs down.

The biggest such allocation was the CFD for Hinkley Point, which Carter rightly describes as expensive. Given that EDF had initially offered to build Hinkley at a much lower price, it is hard to avoid the view that the company played the coalition cleverly. George Osborne's keenness on big projects – and his and his party's enthusiasm for nuclear power – meant that DECC's negotiators had a hand tied behind their back. Unless you can credibly walk away from the table, you will never get the best offer in a commercial negotiation. That credible threat should have been backed up by a competing option, which was never clarified.

On renewables, the UK played its part in one of the most successful experiments in industrial policy of any time. The EU renewables target – to ensure that 20 per cent of primary energy consumption is from renewables by 2020 (reduced to 15 per cent for the UK to take account of our slow start) – was a significant driver of lower global prices for solar and wind power. This deployment of key technologies for a low-carbon future was key to learning and cutting costs. It is simply not possible to do this on a lab bench, as some academics have suggested. As Citi has shown using Bloomberg New Energy Finance data, the cost of solar power has fallen by 19 per cent for each doubling of installations. The cost of wind is down 7 per cent. Deployment matters. Both solar and wind can now compete without subsidy in favourable world conditions, and will do so soon even in the UK (where a solar panel yields just half the power it would yield in Arizona).

The Green Investment Bank (GIB) was another initiative that made modest progress, but had less impact than it should have done, and is now slated for privatisation and virtual death. The first problem was persuading the Treasury that the GIB should be able to borrow: the UK is the only major industrialised country not to have a state-owned bank that can leverage the government's credit standing to provide cheap long-term finance to important projects. The Treasury has always seen off rival borrowers, usually on spurious that protect its monopoly. The compromise preserved the GIB's right to borrow, but at the cost of requiring commercial returns. The management team had to be as profitable as its private-sector competitors, so that it only invested when a private player was already prepared to do so. As a result, its envisaged role as a pioneer was sabotaged from the start.

Carter is not right to imply that I was a sceptic about gas: I insisted that the projects for carbon capture and storage (CSS) should add a gas electricity generating plant, and not just be applied to coal as Labour had ordained. The reason was precisely because it seemed to me that we did not yet know what the cheapest form of low-carbon electricity would be – whether gas or coal with carbon capture and storage, nuclear or renewables – and that we needed to have a portfolio approach, rather as you would spread your risks among different shares when investing a pension fund.

Shale gas was, though, ludicrously oversold by Conservatives on the basis of the low US price, which is entirely artificial since there are so few US export terminals serving the world market. As a result, shale gas has been trapped in the US, driving down the price. By contrast, the UK gas price varied little from the continental gas price even when we produced from the North Sea a vast surplus to our own needs, because we have so many export pipelines. It is also going to be a lot more difficult exploiting shale gas in built-up Lancashire than in desert-density North Dakota. Nevertheless, gas (whether conventional or shale) has been dealt a blow by the recent government decision to cancel the CCS programme. This does not add up.

The biggest disappointment in coalition climate policy was the failure of the Green Deal energy-saving policy. The Green Deal was and still is an outstanding vision. We waste masses of energy in heat loss, and rectifying this is far cheaper than building new power stations or pipelines. The concept was to provide consumers with a cheap way of paying for a complete home insulation makeover out of the savings from their energy bills. But the programme became far too complex as DECC attempted to forestall Whitehall critics, and it became too expensive as the Treasury insisted on market finance (not something that it required when it came to the guarantees for Hinkley Point). The real killer, though, was the failure to provide strong incentives to undertake the programme. This flew in the face of all the economic evidence that people would not adopt energy saving – even if it paid for itself – without a strong government lead and sweeteners. DECC wanted stamp duty relief for homeowners if they installed a Green Deal within a year – timed to attract people when they were anyway going to renovate their homes – but this was repeatedly blocked by the Treasury. As a result, we will pay a far higher price for more expensive energy and power stations.

Carter perhaps underestimates the contribution in the international sphere. The UN conference of the parties at Copenhagen was all the greater a debacle because expectations had been high, and it was quite possible that the whole process of the United Nations Framework Convention on Climate Change (UNFCCC) might have collapsed. The rescue – which ultimately led to the agreements at the Paris conference of the parties – began under the Mexican presidency at Cancun and continued under the South African presidency at Durban. Without the EU's incessant pressure – and without the UK's role among the climate progressives alongside Germany and France – I doubt that the UNFCCC would have been saved. That was an important achievement in which Britain's outstanding climate negotiators (such as the estimable Pete Betts) played – perhaps, post-Brexit, for the last time – a key part in the EU strike force.

The best that can be said for coalition climate policy is that we kept the show on the road for four years longer than would have happened with a majority Tory government, as Carter points out. That bought time for the UNFCCC, for renewables, and ultimately therefore for the chances of a solution to global warming. It is an honourable achievement, but fell short of our hopes and ambitions.

Chris Huhne was Secretary of State for Energy and Climate Change from 2010 to 2012, and shadow Environment Secretary in opposition, responsible for the party's 'Zero-Carbon Britain' plan. He is now co-chair of ET Index, which measures carbon emissions of quoted companies, as well as advising renewables businesses.

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Commentary: former minister

Ed Davey

Neil Carter's review is spot on about the coalition's climate and energy headline politics: the Liberal Democrats fighting an increasingly bitter war, with (most) Tories objecting to everything green as soon as the coalition agreement ink was dry.

Within this political war, he gets some of the achievements and failures of the Liberal Democrats right too: our expansion of renewable power was truly remarkable and the creation of the Green Investment Bank a lasting legacy, albeit slightly offset by the biggest failure – namely the Green Deal. (A policy Osborne told me was his idea!)

But it is the big omissions I must begin with.

The most significant is our excellent record on international climate change negotiations at the EU and UN. This is crucial, given that the UK's share of global emissions is less than 2 per cent. Chris Huhne laid the foundation for this success, particularly at the Durban UN Climate Change Summit, where, within the EU team, he played a central role in securing an agreement to finalise the first ever climate change deal applicable to every country in 2015 – what became the Paris climate summit. I then worked at three successive UN summits to prepare for a deal at Paris. My most significant contribution towards this was leading work for the EU agreement to reduce greenhouse gas emissions by at least 40 per cent by 2030 – mainly through the Green Growth Group I established with other likeminded ministers on the Environment Council.

This EU agreement – largely unreported in the UK – helped persuade the USA and China to be bolder and was more ambitious than either my Conservative colleagues or the EU's Climate Change Commissioner, Connie Hedegaard, thought possible. It took more than two years of hard behind-the-scenes climate diplomacy and may prove to be the Liberal Democrats' most long-lasting and significant contribution to tackling climate change – even with Brexit.

On renewables, whilst acknowledging Lib Dem achievements, Carter misses two key details which mean that the success will turn out to be even greater (assuming the Conservatives do not totally screw things up). First, Chris Huhne's design of the contracts for difference (CfDs) ensured they are *private* contracts, not statute-based agreements. This means future governments must honour them. This is crucial, both in helping to reduce risk and lower costs, but also to protect the Lib Dems' renewables legacy: George Osborne apparently wanted to renege on the twenty-seven CfDs for renewable power plants I signed in March 2015, but was told he couldn't *because* they were private contracts. This means most renewable power plants built in this parliament will also be thanks to the Lib Dems, not the Conservatives.

The second is our creation of Britain's world-leading offshore wind industry. While the seeds had been sown under Labour, the big decisions had not been taken – from the massive Levy Control Framework I prised out of the Treasury to wooing Siemens to invest in their Hull factory. The shockingly poor energy policies since May 2015 coupled with Brexit have put our offshore wind industry at risk, but May/Clarke could still rescue this huge British energy success story.

The longer omissions list includes, for example, a dramatic boost to competition in the market for domestic supply of gas and electricity, a huge boost to interconnector policy (including the signing of the NSN link enabling green hydropower from Norway to be imported into the UK), Britain's first-ever community energy strategy, ensuring the potential of tidal lagoon power was taken seriously for the first time, a radical new approach to fuel poverty, new energy efficiency regulations on the private rented housing sector, pump-priming of over 100 district heating schemes, and our work on UK and EU energy security (including unreported measures to stop UNITE using fuel tanker drivers to hold the country to ransom).

Turning to what is actually in Carter's review, there are details with which I disagree.

On our strong record on emissions reductions, Carter regrets these were primarily in the power sector – but fails to add, that was the *intention*. To decarbonise, developed countries *must* start with the power sector, because the technologies are

Ed Davey as Secretary of State for Energy and Climate Change (photo: RWE)

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more mature and because decarbonised electricity first makes decarbonising transport and heat easier.

On shale gas, he makes the classic mistake of thinking shale is all about electricity, when actually it is about heating. Over 70 per cent of the gas the UK consumes is for heating, and we increasingly import that gas as North Sea production falls. So shale decisions were led by energy security considerations for future heating supplies. Moreover, scientific evidence I commissioned revealed UK-produced shale gas would emit fewer emissions than the liquefied natural gas we would otherwise import from Qatar. It is not popular to make the energy and climate change case for shale, but it is a strong one.

On nuclear, Carter follows the pack in describing the price for Hinkley Point C as 'very generous'. Yet to make sensible comment on that price, you must take a view about the wholesale price of electricity <u>and</u> the carbon price *between 2025 and 2060,* i.e., not prices now but prices during the contract period. Not easy! You must also accept this was the first ever nuclear pricing to (a) include decommissioning and nuclear waste management costs; and (b) pass all construction risks to the developer, EdF (so if Hinkley is not built, the British consumer and taxpayer pays nothing.) So I do not know whether the price is generous or not (no one can!) but I do know that – unlike the past record of the nuclear industry – the UK is protected against cost over-runs, delays or failure to build and future unknown liabilities, thanks to Lib Dems' scepticism over nuclear's economics.

To add one self-criticism to Carter's, we should perhaps have realised that the collapsing price for solar energy coupled with the real potential for energy storage means that even the UK can look to generate significant amounts of our future power from the sun.

There is one point I totally agree with Carter on – Conservative actions since May 2015 should convince everyone how hard Liberal Democrats had to fight on energy and climate change – and thus the full extent of our achievements.

Ed Davey was Liberal Democrat MP for Kingston & Surbiton 1997–2015 and Secretary of State for Energy and Climate Change 2012–15. He now runs his own management consultancy, Energy Destinations, and is Chairman of Mongoose Energy, a leading community energy cooperative company, and the 'Fit for the Future' network of charities and not-for-profits.

Commentary: critic

Fiona Hall

Neil Carter's analysis of coalition energy and climate policy is fair but what he does *not* say is also worthy of attention.

First, Carter highlights two energy sources – nuclear power and shale gas – where the coalition government agreed to go forward with new investments yet left office without seeing any construction on the ground. Carter appears to regard this as a negative, saying of nuclear: 'Yet the coalition still left office without finalising a deal.' But with hindsight, this failure to follow through looks very wise. The Liberal Democrats had long been opposed to nuclear power and the party conference was only persuaded to support the proposed new nuclear programme on condition that it went forward without public subsidy. In 2010 the then Secretary of State Chris Huhne had made it known privately that he did not think the proposed nuclear programme would ever go ahead, simply on grounds of cost. Subsequently, under Ed Davey, the coalition government claim that a thirty-five-year £92.50 per MWh CFD support was not a public subsidy raised some eyebrows. However, even this government underwriting has proved insufficient to secure the final investment decision on the first proposed nuclear station, Hinkley C. First, EDF hesitated, fearful that the company would be bankrupted, then the post-Brexit May government, worried about disproportionate Chinese involvement, called for a further stocktake. So the failure of the coalition government to finalise a deal on Hinkley C looks more and more like sensible caution rather than failure to deliver.

On shale gas, the change of policy under Davey was surprising, not only because the exploitation of a new fossil fuel source seemed at odds with his ambitious approach to greenhouse gas (GHG) reduction (see below), but also because fracking to extract shale gas was deeply opposed by environmentally concerned Lib Dem local activists. In September 2015, the Liberal Democrat conference adopted a policy of opposition to fracking. The failure of the coalition government to deliver on shale gas extraction might be regarded as rather fortunate.

On energy efficiency, much more could be said on why the Green Deal became, in Carter's words, 'a policy disaster'. Certainly, the Treasury's insistence on an interest rate of 7–10 per cent at a time when the base rate was half that was extremely efficient at killing consumer interest. As Green Deal assessments far outstripped Green

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Deal loans, it does seem, however, that some energy efficiency improvement work may have been carried out, unrecorded, by householders using alternative, cheaper forms of financing.

But over and above the interest rate difficulty, the Green Deal failed because it was simply not given enough time to bed in. Too much was expected of the scheme too quickly. The reality of house renovation is that it is disruptive and therefore tends to take place sporadically, usually linked to the buying and selling of a property. Even then, energy efficiency improvements have to get themselves onto the standard list of works that people routinely think about when moving house, alongside cosmetic improvements to kitchens and bathrooms. Upgrading to a good level of energy performance needs to become as much a must-do improvement as installing central heating was last century. But this is a long-term shift – and arguably the coalition government's biggest contribution to this fundamental mind-set change was in taking forward the previous government's proposals on minimum energy efficiency standards for rental properties. These proposals, designed to outlaw the renting out of the poorest F and G rate properties, will turn a poor Energy Performance Certificate into a badge of shame, much as an outside toilet was once regarded. Without progress on this attitudinal change first, the Green Deal was never going to enjoy the massive take-up that was predicted for it.

Carter identifies the unhelpful failure of the Department for Communities and Local Government to promote higher building-insulation standards. As well as being an example of the coalition government's failure to mainstream climate change policy, this also indicates a lack of understanding in the coalition government of the virtues of energy efficiency per se. The tensions Carter mentions, between affordable consumer prices, security of supply and GHG emissions reductions, need not have arisen if a strategic energy efficiency policy had been in place.

Nowhere was the fundamental failure to understand the wide-reaching importance of energy efficiency more apparent than in the negotiations at an EU level on the climate and energy targets for 2030. Determined to secure a 2030 EU GHG reduction target of at least 40 per cent, Ed Davey convened a Green Growth Group of Member States. But the sub-text of the admirable UK efforts on the GHG target was that *only* the GHG target really mattered. The coalition approach, inherited from the previous Labour government, was that, given a sufficiently ambitious GHG target and a high enough carbon price, the market would deliver carbon reduction in the most cost-effective way possible.

The UK obsession with a single GHG target was met with some bemusement and frustration by other Member States. Generally speaking, those Member States who wanted an ambitious 2030 approach to climate and energy, such as Denmark, Germany, Belgium and Portugal, wanted to set three separate 2030 targets: for GHG reduction, renewable energy and energy efficiency. They did not believe that the market alone could deliver GHG reductions fast enough, and saw merit in giving policy certainty to the growing renewables industry, and to supporting energy efficiency because of the many additional benefits it brought in terms of security of energy supply, the elimination of fuel poverty, improved health, increased competitiveness and job creation. Apart from the UK, the other 'one target' Member States were those who wished to do as little on climate change as possible and favoured a low GHG reduction target for 2030, not an ambitious one.

Many frustrating months of negotiation came to a head in the October 2014 Council, when Prime Minister Cameron vetoed any national renewables target for 2030 – it was set at an EU-level only, at the modest level of 27 per cent – and refused a binding energy efficiency target, which was set at an indicative level of 27 per cent, 'having in mind an EU level of 30 per cent'. Had the UK set itself on a less confrontational EU path, perhaps the discipline of national targets for renewables and energy efficiency, requiring long-term strategic planning in those areas, would have helped the coalition government to achieve more consistent outcomes in its climate and energy policy.

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Journal of Liberal History 91 (summer 2016): corrections

A number of errors crept into our last issue – our apologies to all concerned.

- In the report of the meeting on 'Europe: The liberal commitment', the Scottish historian Sir Graham Watson quoted was James Lorimer (rather than Larner – p. 34) and the name of the Secretary General of Liberal International in 1946 was John H. McCallum Scott (rather than McMillan Scott – p. 35).
- In the same report, William Wallace is quoted as saying that Megan Lloyd George left the Liberal Party in the late 1940s (p. 36). In fact she was Liberal MP for Anglesey until 1951 and Deputy Leader until 1952; she defected to the Labour Party in 1955.
- In his review of Alan Mumford's *David Lloyd George: A Biography in cartoons* Kenneth O. Morgan wrote that Mumford is a notable political cartoonist and historian (p. 37). In fact he is not a political cartoonist.