



STOP PRESS: POST ELECTION SPECIAL

In our last bulletin we set out what the future might hold for the UK with a hung Parliament. After the most exciting week in British politics for a very long time, we now need to get used to a new form of government, a coalition between the Conservatives and the Liberal Democrats.

The interim coalition agreement is hot off the press and the details will now be worked through. The key ministerial posts have been announced and Liberal Democrat Chris Huhne is the new minister at DECC.

So, when it comes to energy and climate change policy, what can we expect from our new government over the next 5 years? It's certainly going to be a greener one than the last, with Parliament also welcoming the first Green Party MP, Caroline Lucas, and Conservative environmentalist Zac Goldsmith.

As is well known, the Lib-Dems have been staunch opponents of new nuclear build. This is in stark contrast to the Tories, who have broadly supported the previous Government's stance of opening up the way for a new generation of privately funded nuclear power stations to replace the existing ones as they approach closure.

The agreement now reached seeks to reconcile these opposing positions, by essentially allowing for a new national planning statement for nuclear to be presented for ratification by Parliament, whilst at the same time allowing a Lib-Dem spokesman to speak against the statement and Lib-Demo MPs to abstain - on the understanding that this will not be regarded as an issue of confidence. In relation to this issue, Chris Huhne has said "There are a whole series of compromises which have been struck in this agreement which I think are obviously unpleasant for each of the parties" so clearly, this is seen as a major step down for the Lib-Dems. But with the Tories and Labour saying no public subsidy, the path to new nuclear is still not assured, certainly not without a floor price on carbon. Whilst the coalition parties are agreed that there should be a floor price, it remains to be seen whether it can be delivered.

This will be a relief to many who feared that the Lib-Dem position on nuclear, combined with its hugely ambitious aspirations for renewable energy, might at best stall the new nuclear build timetable - already looking tight and therefore threatening a UK "energy gap".

Several other measures stand out.

- III the agreement refers to "full" establishment of feed in tariffs for electricity. It's not entirely clear what this means, but if it means existing projects keeping their ROCs whilst all new systems - including the large upcoming offshore windfarms - getting FITs, then that will be a significant change from the current FIT regime, which is currently limited to the smaller sized projects



- ||| not unexpectedly, emissions from air travel are targeted. Making it into the agreement is the Lib-Dem policy on the replacement of the air passenger duty with a per flight duty - ensuring that air freight will be caught for the first time. In addition the new runway at Heathrow will be cancelled and there will be no additional runways at Gatwick or Stansted
- ||| there were concerns that renewables might not feature highly on the list of Tory priorities in the early years of a new government. Tellingly, and in a nod to the Lib-Dem aspiration of tougher renewables targets, the agreement commits to an unspecified increase in the target for energy from renewable sources but, crucially, subject to advice from the Climate Change Committee
- ||| a national charging network for electric and plug-in hybrid vehicles will be mandated, a potentially great boost to this nascent industry
- ||| plans in relation to carbon capture and storage remain as under the Labour government, with commitment to public sector investment in CCS technology for four coal-powered power stations. Disappointingly, there is no mention of extending this to gas-powered stations and so, at least for the time being, it's business as usual. Linked with this, the coalition has committed to establish an emissions performance standard which will force investment in CCS technology for new coal-fired power stations.

This Bulletin aims to update you on legal issues of concern or interest. It is not a substitute for taking specialist advice in individual cases. For more information about these or any other issues please contact:

**Andrew Whitehead, Senior Partner
Head of Energy and Utilities
T: 0870 763 1528
E: andrew.whitehead@martineau-uk.com**

**Catherine Burke, Partner
Energy and Projects
T: 0870 763 1552
E: catherine.burke@martineau-uk.com**

**Rory Tait, Consultant
Energy
T: 0870 763 1214
E: rory.tait@martineau-uk.com**

