

ENERGY LANDSCAPE IF CORBYN HAD THE POWER...

**An analysis of the Energy policies of a future
Labour Government led by Jeremy Corbyn**

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Jeremy Corbyn has been seen as the left-wing staunch opponent of austerity with bold views on energy. In trying to read what an energy future could look like under a Jeremy Corbyn Government we need to analyse both, the market effect of policies and the political motivation behind them. Between us *EnergyComms* and Zeinegul Salimova bring together an in depth understanding of both issues so we have presented here our crystal ball reading of what an energy future would look like if Corbyn came to power.

As a starting point we looked at statements made during Jeremy Corbyn's leadership campaign, however many of those we found contradictory. For example, Corbyn backed campaigners advocating leaving fossil fuels in the ground at one point and re-opening coal mines at other times. There are, however, some more concrete indicators we can look at. Key among them are the policy documents – albeit these are now described as discussion documents – which were laid out as part of the leadership election campaign.

Government controlled market

From his policy discussion documents it is clear that Corbyn wants to see a much more direct state involvement in the energy sector with the Government taking over direct control of the electricity and gas transmission networks and interconnectors. It is a very different vision from the current market and Labour's previous policy.

In the Corbyn world, DECC is likely to face competition from the newly established Energy Commission and undergo restructuring. The Energy Commission would be tasked with drafting energy policies to make that fundamental shift in the UK energy thinking Corbyn is keen to happen.

There is also a clear drive to give Councils and community groups more of a role in the sector. Perhaps, in theory, this may tie in with the Conservative localism agenda but it does not appear that extension of Council services into competitive markets is exactly what the Tories had in mind. In his energy policy document Corbyn says he wants local authorities and community groups to become the principal electricity generators. Local government will be able to offer lower prices due to balancing cost being transferred to the fossil fuel plants.

We assume it also means that local communities would own the distribution networks in their area and prioritise delivery of the energy they have generated over centralised generation. With the absence of energy expertise within Councils, we expect quite a few services to be outsourced. Opportunities are likely to open up for such service providers, as energy management, software solutions, hardware servicing and other companies.

Big 60 Million vs. the Big 6

There were also hints at a breakup of the Big 6 during the leadership campaign. Some have interpreted from this that Corbyn was looking to re-nationalise the energy industry. Nevertheless, this did not seem to be actually what he had in mind and it has been subsequently clarified, he actually seeks to drive them out of business by allowing councils and community groups to undercut them. It certainly fits with the Corbyn narrative of local grassroots movements taking control.

If Labour were to win the next election and implement these policies, then there would clearly be severe issues for energy companies in the UK market, especially for the Big 6. While these energy companies are not exactly top of the public's popularity list they do currently generate most of the UK's power and supply most customers. If the net result of these policies was a sudden collapse of these companies, then massive disruption to the system and potential security of supply problems could not be ruled out.

This would be a worst case scenario based on a rapid implementation of all these policies. However a more gradual implementation could see a reformation of the UK's energy market. The example frequently sighted by the Corbyn camp is that of Germany. It is certainly true that there are a large number of local suppliers in Germany but it has to be remembered that the system still has a backbone of 4 large energy companies, so even there a localised energy system does not exist in isolation.

We assume that Corbyn's suggestion of the "energy policy for 60 million not the Big 6" refers not to creating a utility for every person in the UK, but creating a policy that serves end-users. But what is likely to happen if the Big 6 are broken up? We expect that the management of the former Big 6 would be re-hired by the local governments that do not have energy expertise and the same people that managed the big utilities would be implementing policies for 60 million. Could this be the shift Corbyn's document describes?

Subsidies & payments

A Corbyn government would not be prepared to support subsidies in the energy system on a long-term basis (presumably including capacity payments as well as payments to nuclear and renewable power). His belief is that they should all only be transitional for technologies that need it.

While the issue of system balancing and system costs may seem more marginal it is a not inconsiderable factor in the profitability of individual plant. On this Corbyn sets out that he would make fossil fuel generating plant pay all the system balancing and transmission costs. This would make Scottish wind generation more

attractive but would likely lead to rapid closure of much of the UK's fossil fuel plant which still supply more than half of the country's electricity.

With the above, we foresee a rise in investments into energy storage technologies in this scenario.

Fuel Mix

In terms of the generation mix Labour is now clearly favouring renewables and wanting to push fossil fuels off the system. However, when it comes to nuclear, Corbyn has been much more equivocal. Corbyn has always been hostile to the industry and states that his policy would be to make the industry pay its own clean-up costs (although currently the only clean-up costs the Government pays for is for the facilities it owns itself). Shadow Secretary of State for Energy and Climate Change Lisa Nandy has also been opposing new nuclear developments and Hinkley Point C in particular.

Share of renewable generation would increase mainly due to small distributed generation run by local government. Local government is likely to generate power from waste-to-energy, solar and small wind.

An interesting fact that, when trying to model Corbyn's ideal fuel mix, we realised that despite Corbyn's opposition to the nuclear industry, nuclear along with renewable energy and storage is likely to be needed to keep the UK powered and meet climate objectives.

Energy Efficiency

Corbyn's approach to climate change would also have profound implications for the energy sector as he intends to adopt binding climate change targets but devolve them to the local level, so each Council will have a legally binding target and powers to enforce it. Although given the effects of an individual large industrial plant on a council area, it would be difficult to know what powers a council could have to meet its targets. For example, in Redcar the steel plant has now closed but if it was to re-open the local council would immediately break its targets. Should they, therefore, be forced to order it to shut again?

What will it mean to those 60 million Corbyn cares about? Councils would put pressure on their residents to be more energy efficient and reduce their consumption. There are likely to be programmes to reward residents who meet the local targets as well as to punish those whose consumption increased. With the large number of suppliers in the market, end-consumers are likely to switch their suppliers often and closely monitor their consumption.

The winners in this case are the companies with demand response management systems, smart solutions and analytics software.

Conclusions

We should remember that the energy industry is an industry where very long-term planning and policy stability are essential, and Corbyn's views as they affect this sector could potentially be catastrophic.

The vast majority Labour MPs do not support Corbyn and there are doubts as to how much of this could be implemented. However, the Labour conference saw allies of Corbyn take a majority of the seats on the Party's governing National Executive Committee. It is also likely that more MPs supporting his vision would be elected at the next General Election should he lead Labour into it.

So, should a Corbyn led Labour Party win the next General Election, it seems highly likely that the thrust of the UK's future energy policy will not be so far away from that set out in Corbyn's election manifesto. This could lead to a transformation of the UK's energy system or its collapse. Either way, it is guaranteed to be highly disruptive.

As a summary, below we bring winners and losers of the Corbyn led energy future.

Game of Corbyns: Energy	
Winners	Losers
Newly formed Energy Commission	DECC
Councils	Large emitters
Service providers	End-users
Renewable energy developers	Fossil Fuel Generators
Small utilities	Large utilities