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The unnecessary burden imposed by the UK's "green" energy policy [1]

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Green was traditionally the colour of money, but with UK and EU energy policy, it is increasingly the colour of cost. The renewables obligation requires UK energy producers to obtain a proportion of their output from renewable sources that are more expensive to produce, and these costs are passed on to energy users. The renewables obligation now costs consumers £2 billion per year, and Bloomberg New Energy Finance predicts it will increase household electricity bills by 54% by 2020. Inevitably this raises costs for business, causing some UK firms to lose competitiveness and limiting economic growth. The obligation costs firms about £2 per megawatt hour, double what the government thought it would cost by 2020, with further rises expected.

The EU bears some of the blame because its Renewable Energy Directive requires that 15% of the UK?s final energy consumption is from renewable sources. This hits the UK worse than other European countries; our government estimates that we will bear 25% of the total EU-wide cost of the directive.

In addition to this are the subsidies given to green energy paid for by taxpayers. Estimates put the cost to each household in Britain at £600 a year by 2020 unless the Chancellor reduces them. Taxpayers also fund the installation of environmentally friendly boilers up to the level of £2,300. Such policies have led npower to estimate that the average household energy bill will rise from £1,247 to £1,487 by 2020, with energyhelpline even suggesting that it may rise to £2,000.

The carbon price floor, introduced in April this year at £16 per tonne of CO_2 used for power generation, will increase gradually every year to reach the Treasury's goal of £30 per tonne by the end of the decade, and £70 per tonne in 2030. This puts up the price of electricity; and because it is higher than in the rest of Europe it will drive heavy energy users out of the UK to the advantage of countries with lighter regulations.

This so-called "carbon leakage" will cause a loss of jobs and tax revenue to the UK.

Environmentalists argue that fossil fuels are running out, and that a "green energy" policy prepares us for that, while combating global warming. But shale reserves now identified in the US and the UK indicate that gas is available with over 100 years of reserves at estimated use, perhaps more as extraction technology develops, and is cleaner than both coal and oil. We are also learning how to use fuel more efficiently. The implication is that the green energy policy is both expensive and unnecessary. It will constrain our economic growth without achieving results commensurate with its burdens.

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