



STOP PRESS: ELECTION SPECIAL

It is now clear that there will be a hung Parliament for the first time since 1974 with the Tories unable to muster 326 seats thereby ensuring an overall majority in Parliament. What does this actually mean?

The constitution states that where no party has a majority of seats in Parliament then the incumbent Prime Minister has the right to try to form an administration. This means that negotiations will need to take place between all parties with the intention of a coalition being formed enabling the Queen's Speech (scheduled for 25 May) to be supported through the Parliamentary process. However, if no agreement is reached between parties and no government was able to gain enough support to ensure that the Queen's Speech passed through Parliament then there would need to be a new election. It is also possible that Gordon Brown could resign as Prime Minister if he fails to garner enough support from other parties to form a workable government and in these circumstances David Cameron as leader of the party with the largest number of seats in Parliament could be asked by the Queen to form a government.

What does this all mean for energy policy going forward?

Each of the parties set out their main proposals for energy/environment/climate change in their election manifestos. What is somewhat comforting is that there appear not to be too many key differences between the three main parties' intentions in this area with the glaring exception of the Liberal Democrats specific rejection of new nuclear build.

What do the main parties agree on?

- ||| All three parties remain committed to meeting at least the current renewables targets with the Lib Dems stating that 40% of electricity is to come from renewables by 2020 and 100% by 2050;
- ||| All three parties support the development of new coal plants with Carbon Capture and Storage technology in place;

- ||| All three parties are keen to reform Ofgem and change its role in relation to energy markets although each party has its own specific proposals- all three agree that Ofgem is not working as it should;
- ||| All three parties support the creation of some form of Green Investment Bank to invest in low carbon infrastructure;
- ||| All three parties are keen to see smart meters introduced and for the grid to become more "interactive".



What are the Tories main proposals?

- Given that the Tories may well end up as the major partner in a coalition government what specific proposals have they put forward?
- They intend to provide incentives for small-scale renewables but also intend to phase out the Renewables Obligation in favour of support through the Feed-In Tariffs scheme introduced by the Labour Government;
- They intend to enable the development of 4 CCS equipped coal-fired power stations;
- They intend to encourage new nuclear development provided that there is no requirement for public subsidy;
- They want an offshore electricity grid to be developed and for 2 Marine Energy Parks to be created;
- They intend to introduce powers to enable local authorities to develop district heating schemes as well as giving communities assistance in developing/encouraging renewables development;
- They intend to reform Ofgem so that it focuses on executing energy policy and monitors spare capacity in the system;
- They intend to set up the UK's first Green Investment Bank to invest in low carbon infrastructure projects.

What are the possible stumbling blocks for energy policy in a Hung Parliament?

Clearly one of the main stumbling blocks could be the Lib Dems seemingly intractable stance on new nuclear development and their opposition to it on economic grounds. They believe that 100% of electricity can be supplied from renewables by 2050. Therefore if the Lib Dems are a crucial part of any coalition then this could be a major issue for energy policy going forward and brings into focus the "generation gap" forecast for later this decade and the part that nuclear might play in plugging this gap.

As has been pointed out, with the exception of nuclear, the three main parties are not poles apart on energy policy but nonetheless there are differences in their approach even to renewables and carbon emissions and negotiations would have to take place with compromises being made. This could certainly have a delaying effect on policy development which could be detrimental to the sector at a crucial period.

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:

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