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Debating Energy

Michael Farrelly, University of Hull

Energy policy in the UK is, once again, the topic of public debate. Two prominent contributions to this debate are the recent open letter which Ed Miliband addressed to ‘the big six’ energy companies,¹ and the reply to it from E.ON UK’s Chief Executive, Tony Cocker.² In his letter, Miliband argued for the need to ‘reset’ the market, ‘to rebuild public trust in the energy market’ through new legislation, which would ‘build competition and transparency into the market’, and moves that would ensure that the ‘prices paid by consumers do not rise’ before the legislation came into force. Cocker’s reply, which he read out on BBC radio’s PM program, took issue with what he called ‘an artificial price freeze’, arguing that energy bills had risen, in part, because ‘successive governments have collected taxes for different schemes through energy bills’. He suggested that ‘at a stroke you could remove a large cost from energy bills simply by moving these costs to general taxation’. Where will the debate go from here?

Though wide-ranging, both letters push contentious and problematic issues into the background. If a public debate over energy policy is to move on, if a useful and workable energy policy is to be constructed, then, I argue, these contentious issues need to be discussed and debated clearly and explicitly. Analysis of the language used in these letters shows that each one emphasises some aspects of energy policy whilst ignoring, or playing down others. Three particular issues, discussed below, are: the groups of people that the energy system is to serve; the values and costs of energy; and, the system by which energy is to be governed.

In whose interests?

The letters refer to different groups of people involved in the energy system, but each is problematic in terms of those that are excluded from the terms of discussion and those which are given special emphasis.. For Miliband’s letter it is the exclusion of employees which is of concern. His letter includes: ‘the public’, ‘consumers’, ‘the market’, ‘investors’, and ‘customers’ as well as the collective ‘you’ of the energy companies to which the letter is directly addressed, but no reference is made to workers.

This omission from Miliband’s public deliberations on energy reform, is important given the nature of his proposals. It gives rise to a number of questions about how the market is to be reset in favour of consumers. First, in a narrow sense, is the question of how well jobs in the energy sector could be protected during a period in which the market is ‘reset’. Secondly, in a wider sense, is the ongoing fall in the relative value of average earnings,³ a fall which makes

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paying bills – and being a consumer – that much more difficult. To concentrate on people as ‘consumers’ is to neglect their simultaneous status as ‘workers’ and to neglect the very real difficulty of falling relative wages.

The short-term response of shareholders or investors to Miliband’s putative stop on price rises is also of concern and an issue which is not addressed in his letter. Notwithstanding the concluding remark that ‘this is a genuine opportunity to reset the energy market in the interests of consumers and investors’, the proposed price stop clearly prioritises consumers.

Shareholders are omitted entirely from Cocker’s letter. It includes: ‘our customers’, ‘colleagues’ ‘people’ ‘our people’, ‘UK businesses’ and ‘politicians’ with the emphasis firmly on ‘our customers’ but no direct reference to investors, shareholders or owners. Why might this be? One effect of the omission is that any potential conflict of interest between customers, who are paying rising bills, and owners, who are taking rising profits is played down.

There are, perhaps, understandable reasons why the authors of these short letters may not wish to tackle the contentious issues of conflicting interests, but a robust debate must do so at some point.

Values and costs

Amongst the multiple values which underpin our system of energy are the necessity of energy to consumers, the value of an energy system as a source of wages for its employees, and its value to shareholders as a source of profit. Neither letter is explicit about the multiple values and costs of the energy system, nor about the conflict of interests that different groups might have over them. Consumers value energy for what it provides in terms of power for cooking, entertainment, heating and lighting. For most consumers some of these uses are necessities. Given the climate of the British Isles and the poor standard of insulation in most UK housing (at which Cocker hints) energy companies sell a product which most of the population cannot live without. It is in the light of this necessity that the cost price of energy must be seen.

Further, though Cocker mentions ‘colleagues’ and investment in ‘our people’ there is no explicit indication that the energy system has value as a source of employment and wages; the Miliband letter makes no mention of the employees of the energy companies at all. Finally, the energy system also has value as a source of profit for investors. What happens, though, when this value comes into conflict with consumer costs? What happens if the cost of production plus profit puts prices above a comfortable or affordable level for consumers? Necessity means that consumers cannot choose to abstain.

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A liveable environment is clearly of value to all of us. Governments have begun to step in order to address pressing energy sector issues of carbon emissions, localised pollution, inefficiency, finite energy resources and so forth. Whilst Miliband refers to ‘investment in future clean energy capacity, Cocker dismisses the costs associated with preserving our environment as ‘taxes for different schemes’.⁴

Values underpin the current debate and though Miliband’s proposed stop on price rises, and Cocker’s argument against such a move tacitly acknowledge this, neither letter asserts the values to which they give priority. While it may be understandable that a discussion of values is absent from two letters such as these it is nevertheless important to stress that arguments over the energy system could be better made with a clear set of values.

Governance

Arguments over a future system of energy provision also rest on different conceptions of how that system is to be governed. Miliband’s letter argues that the ‘energy market’ has ‘failed to secure the confidence of the public or the investment Britain needs’. His proposal is that government legislates ‘to build competition and transparency into the market’, but the strength of the argument rests on a presupposition: that markets *can* ‘deliver’ for consumers *and* ‘underpin’ investment in clean energy.

This supposed capacity of markets is taken for granted, but if there has been a market failure thus far - as Miliband asserts - then surely this capacity ought not to be taken for granted. Rather, a clear explanation needs to be given of how the market can do such a thing and why it is that it has not delivered in the past.

Cocker’s letter implies a very different conception of how the energy system ought to be governed. It makes no mention of markets, instead arguing that some of the costs of the energy system ought to be taken up by government: “Successive governments have collected taxes for different schemes through energy bills... At a stroke you could remove a large cost from energy bills simply by moving these costs to general taxation.”

Here, Cocker classifies and labels some costs to his business as ‘taxes’ and on the basis of this label attempts to shift liability for them to the tax payer. Yet, there is no explicit mention of what the ‘schemes’ are. If there is a role for payment from general taxation to cover the cost of the energy system then the argument for it should not be obscured in this way. Any such case ought to give a clear and comprehensive breakdown of costs and a clear basis upon which they would be allocated.

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Each letter advocates certain courses of action each of which implies a shift in the system by which energy provision in the UK is governed. Yet neither engages fully in a reasoned argument over this shift. Neither sets out the problems of the current system in detail, nor how a new system would rectify these problems. Again it is, perhaps, unfair to expect such detail in this brief exchange, but a serious debate ought to focus on the system of governance clearly and explicitly.

The exchange of letters opens a welcome and necessary public debate on energy policy in the UK. The terms of the debate, understandably, are limited in these letters. Analysis shows how each emphasises some aspects of energy policy whilst ignoring, or playing down others. The exclusion of shareholders and employees, the absence of an explicit debate over which values of the current energy system take priority, and the nature of implied changes to the governance of energy are of notable concern. The importance of energy requires that the terms of the debate be extended.

¹ <http://www.bbc.co.uk/news/uk-politics-24233479>

² <http://pressreleases.eon-uk.com/blogs/eonukpressreleases/archive/2013/09/25/1983.aspx>

³ <http://www.taxresearch.org.uk/Blog/2013/09/05/growth-is-an-illusion-what-we've-got-is-a-more-widely-spread-falling-national-average-income/>

⁴ <http://www.leftfootforward.org/2013/10/energy-companies-evade-the-issues/>

Michael Farrelly is a lecturer in English Language at the University of Hull. He studied at the University of Lancaster and has previously worked on research projects at the Universities of Birmingham, Liverpool, Lancaster and at the Open University.