



HM TREASURY



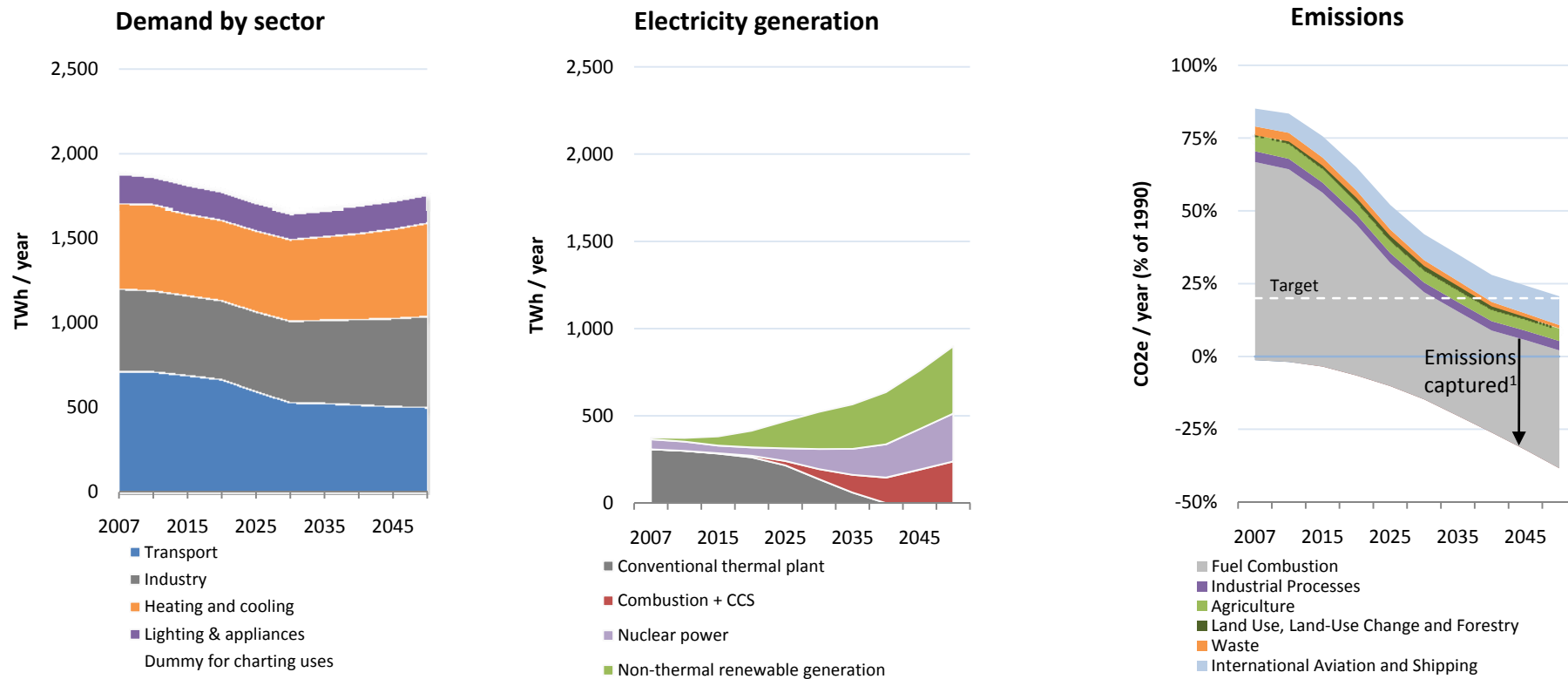
# Building blocks for a sustainable future

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# We have a huge investment challenge to support a low carbon secure future

## EXAMPLE PATHWAY – THERE ARE MANY OTHER POSSIBILITIES



**This pathway requires £200B investment and £110B in electricity alone**



# The current arrangements in electricity will not deliver this

Weak carbon signals

“Bias to gas”

Security of supply

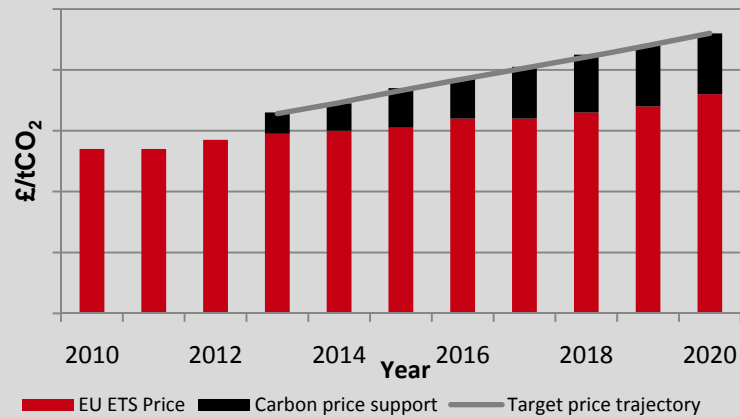
Scale of finance needed

## If we do nothing:

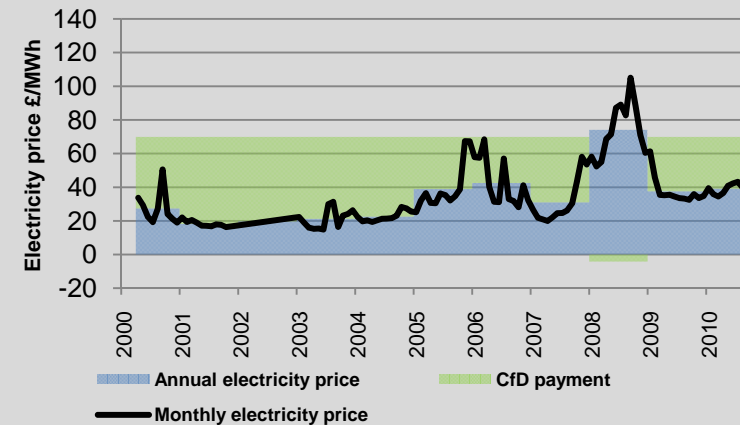
- **Less security of supply**
  - Margins could hit 5% in lowest year and we may not be able to offset new intermittent generation
- **Will not meet the scale of decarbonisation needed – we still have 200g CO<sub>2</sub>/kWh in 2030**
- **Consumers pay more for electricity than they need to**

# Our proposals – a four point plan for power market transition

## Carbon price support



## Long term contracts for low carbon generation



**EMR package**

## Emissions performance standard

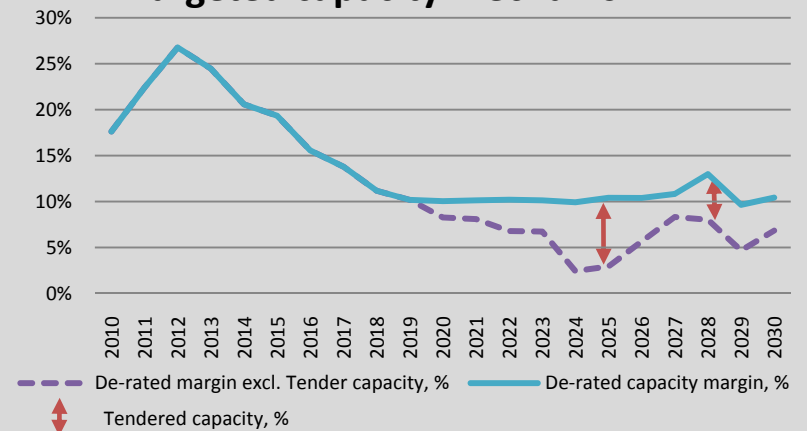
### Option 1

EPS set at a level equivalent to 600g CO<sub>2</sub>/kWh

### Option 2

EPS set at a level equivalent to 450g CO<sub>2</sub>/kWh with specific exemptions for plant forming part of UK's CCS Demo programme

## Targeted capacity mechanism



We will respond to some of the key messages we have heard, but post WP we need to increasingly focus on delivery

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**CfD – design and transition questions**

**Security of supply – wide range of views**

**New role for demand side management/ storage etc.**



## 4 points

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**Transition in electricity is fundamental to our low carbon goals**

**The current market will not deliver**

**We have heard a range of views, but will need to conclude**

**Post White Paper – the focus becomes increasingly on delivery**