

ENERGY

MACRO ANALYSIS

The Conservatives' manifesto is a much longer document than Labour's will be later this week. Nonetheless the essential pitch can be summarised in two words: tax cuts. There are an estimated £17 billion worth of tax cuts outlined in the manifesto to be implemented over the next parliament. They range from further reductions to national insurance to abolishing stamp duty for young home buyers. The proposals are vaguely costed but Rishi Sunak's main objective is not to demonstrate their feasibility. He seeks to create dividing lines with Labour over tax, often a vote winner for the Conservatives in the past. This time the electoral context is bleak for him and his party. Privately senior Tories are in despair about their prospects and fear the manifesto will not be a game changer.

Steve Richards, Senior Adviser

POLICY ANALYSIS

When it comes to energy and net zero this manifesto largely represents a continuation in policy direction and political narrative. Ever since the Prime Minister's 'net zero reset' speech, energy has become an intensely political policy area, with the Conservative Party believing that there is an electoral advantage to taking a more sceptical position and breaking the 'political consensus' on net zero.

This manifesto is less about policy but was instead about drawing dividing lines with Labour. The Prime Minister leant into this in today's speech, stressing that he would prioritise "energy security and your family finances ahead of unaffordable eco-zealotry".

In terms of substance, there were few surprises. The politically driven policy agendas that we have seen given prominence over the last year feature heavily: scepticism on solar and onshore wind (although no substantial policy changes), and a focus on energy security with backing for the UK's oil and gas sector and a commitment to new gas power stations. There are naturally some contradictions: despite a focus on minimising consumer costs, onshore renewables are the lowest cost form of generation and a commitment to undergrounding and offshoring grid infrastructure is likely to push up the cost of new projects.

Perhaps more interesting were the seemingly technical changes that support the dividing lines they're hoping to create with Labour: reforms to the remit of the Climate Change Committee (CCC) and a future vote on the government's net zero strategy. The substantial impact is less clear – the Climate Change Act already requires the CCC to consider these factors, and Carbon Budgets have long had parliamentary scrutiny.

The polls suggest that the Conservative Party will be in no position to implement this agenda. However, it perhaps gives us a sense of how they will act in Opposition seeking to hold government to account on the cost of net zero and the impact on consumers. The challenge for industry – who want pace and certainty – will be directing this in the right way: constructive, informed scrutiny rather than outright opposition to a faster transition.

To discuss WA's manifesto analysis and what it means for your organisation, please email **Angus Hill**, Senior Director, Energy at angushill@wacomms.co.uk.

HEADLINE POLICY ANNOUNCEMENTS

Overall market approach

- Reforming scrutiny and oversight of net zero with a commitment to a parliamentary vote on the next Carbon Budget and changes to the CCC's remit
- Taking forward REMA, with a commitment to introducing 'more efficient local electricity markets'
- Reforming the grid by implementing the Winser recommendations to cut grid connection times, prioritising use of underground cables and minimising onshore grid infrastructure where possible
- Implement a new import carbon pricing mechanism by 2027

Specific technologies

- Treble the UK's offshore wind capacity
- Build new gas power stations, although the scale and mechanisms are unclear

- Continue to back CCUS, with a focus on the four priority Clusters
- Support for new nuclear with a new power station at Wylfa and two SMR fleets getting the greenlight in the first 100 days of the next government
- Maintaining the existing approach to both onshore wind and solar

Consumers and the retail market

- Maintaining the energy price cap, but giving Ofgem the power to evolve this
- Reviewing and reforming standing charges
- Funding a new energy efficiency voucher scheme
- No clarity on preferred heat decarbonisation technologies, although a commitment to 'never forcing people to rip out their existing boiler and replace it with a heat pump'

WA ADVISORY BOARD ANALYSIS

This is a policy area where Rishi Sunak has moved away from Boris Johnson's targets and established a pragmatic distinctiveness compared with Labour. While the headline targets remain the same, the party sees electoral benefit in doubling down on energy security and minimising the cost on consumers. In comparison, we'll see Labour's more ambitious approach to decarbonise the power system by 2030 and stop issuing new oil and gas licenses in the North Sea.

Steve Richards, Senior Adviser, WA Communications

This is one of the more detailed policy bits of the manifesto, and there's some interesting stuff in here about smarter electricity tariffs, new fleets of SMRs and carbon pricing for imports. But will any of this be heard against other messages on GB Energy and the green transition?

Sir Philip Rutnam, Chair of the Advisory Board, WA Communications