LABOUR LEFT
Briefing

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THIS COULD BE THE START OF SOMETHING

A quiet revolution might have taken place in Government. As media headlines chase after the credit crunch, financial collapse, job losses and the recession, the Government agreed to an amendment to the Energy Bill that commits Labour to introducing feed-in tariffs.

Most of the public, and many MPs, will not have a clue what this is about, but 18 countries in Europe have already introduced these tariffs as a way of shifting from non-renewable to renewable energy systems. In essence, Feed-In Tariff schemes (FITs) require energy companies to pay consumers up to four times the market price for 'clean' energy generated from the home, the community, or the locality.

Politically, this is one of the most popular moves any Government can make. Talk to citizens in Germany, Spain, Portugal or Italy about how it works and they will all report enthusiastically on how it feels to have cheques dropping through the letter box rather than bills. The most obvious question is 'why hasn't Britain done this already?' The answer is in an intriguing conspiracy between ideology and vested interests; between Thatcherite elements of the civil service and the big energy companies.

Energy companies hate the idea of FITs because they prefer it when customers have to pay them, rather than the other way round. In Britain, companies have been much happier with the Renewables Obligation (RO) because this form of tradable certificates from the Government gave them guaranteed profits of around 40% on any investment. This isn't corrupt, it's just a gravy train. The furious lobbying of energy companies to protect the cosiness of this arrangement simply demonstrates how fond they are of gravy.

The trade organisations representing big energy producers even warned Ministers and MPs that if the Government was too ambitious in its FIT proposals, it could undermine the investor confidence that companies currently have 'in the RO as the primary support mechanism for renewable energy generation in the UK. They were lobbying that a 50KW cap should be imposed on any FIT scheme. This would ensure that nothing came forward that was much beyond the individual household or the street.

By that time, Ministers had already agreed to consider an upper threshold of 3MW and MPs were pushing hard to raise this to 10MW. Companies then warned the Government that any such move which signalled a serious shift from the RO could have "a seriously negative impact on the willingness of companies to invest in the UK's renewable energy market, especially when compared with more predictable opportunities overseas."

The implicit threat was that if the Government went too far, the companies would abandon Britain and the lights would go out. Civil servants, who brought with them an ideological commitment to the free market, used this argument to caution against Government interference. It allowed for a frisson of fear to be placed around any of the bold decisions that the Government needed to take.

The threat itself was complete crap. No matter what decision the Government makes, none of the energy companies are going to decamp and head off overseas. They all know that if they were to throw their cards on the table and walk away, their competitors would have grabbed them in moments, in order to boost their own market share. Energy companies may moan and whinge, but at the end of the day they will deliver whatever proportion of renewable energy the Government requires the market to produce. It simply requires the Government to lead.

The chances of the new Secretary of State for Climate Change and Energy being mysteriously run over by a bus must have increased dramatically over the last few days. To his credit, Ed Miliband stood his ground in the face of the energy companies. He raised the threshold to 5MW and gave commitments on the floor of the House that will sign Britain up to delivering a genuine FIT scheme that meets the best practice guidelines already set elsewhere in Europe. The frisson of fear has now been making its way around Departmental corridors as the knowledge seeps in that civil servants are going to have to deliver what many have spent a lifetime arguing against.

There will, of course, be other civil servants who genuinely want this to happen. They will find support in the enormous coalition outside Parliament that is pushing at the door for something genuinely radical and imaginative. If we grasp the possibilities, then we're talking not just about a shift from non-renewable to renewable energy, but a shift in power and in democracy. The power shift at the heart of FITs is a transfer of power from corporations to citizens. The democratic shift is that it places local authorities and local communities at the heart of the energy agenda. In Denmark, 80% of their energy system is community-owned.

Across Europe, local authorities and local communities are the owners and stakeholders within the revival of local energy companies. They still have big energy companies as contractual partners, but the shift in power and control back into public hands is of immense importance. It allows communities to be the drivers of change rather than just the recipients of spiralling energy bills.

The global crisis in financial systems brings with it a silver lining. There is now a willingness to put public ownership back into public services. If the Government holds its nerve, and Ed Miliband avoids the would-be assassins, then, as Ella Fitzgerald used to say, 'This could be the start of something big'.