

Energy Markets Outlook Report

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Foreword



The new Department of Energy and Climate Change brings together the Government's work on three long-term challenges that face our country: ensuring that we have energy that is affordable, secure, and sustainable; bringing about the transition to a low-carbon Britain; and achieving an international agreement on climate change at Copenhagen in December 2009.

Today's structure of the energy market was designed in a world of abundant supply, British energy self-sufficiency, low commodity prices, and an emerging debate, but not a settled consensus, on climate change. Today all those assumptions have changed: there is international competition for resources, a need for new investment in supply, structurally higher energy prices, and an urgency about carbon emissions.

To respond to this new world, we need a market that secures future supply, including investment in nuclear power and carbon capture and storage; incentivises cuts in carbon emissions; and helps homes and businesses.

This report is intended to set out the nature and potential of the options that are – and may become – available to the UK energy market to enable it to respond to the first of those challenges over the medium to long term. It is intended to facilitate and inform debate and decision making by market participants and other energy market stakeholders. It complements and sets out the factual background to the development of the Government approach to that challenge, which has been set out in the Energy White Paper and will be taken forward next year with a series of publications including ones on carbon budgets, carbon capture and the Government's strategy on renewable energy.

I am grateful for the part that Ofgem, National Grid and the Department for Enterprise, Trade and Investment (Northern Ireland) have already played in developing the analysis set out here. I look forward to broad participation and wide-ranging discussion in the dialogue to follow.

A handwritten signature in black ink that reads "Ed Miliband".

Ed Miliband