

Governing infrastructure interdependencies

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Energy and water interdependencies workshop, 2nd Dec 2014

Why is governance important?

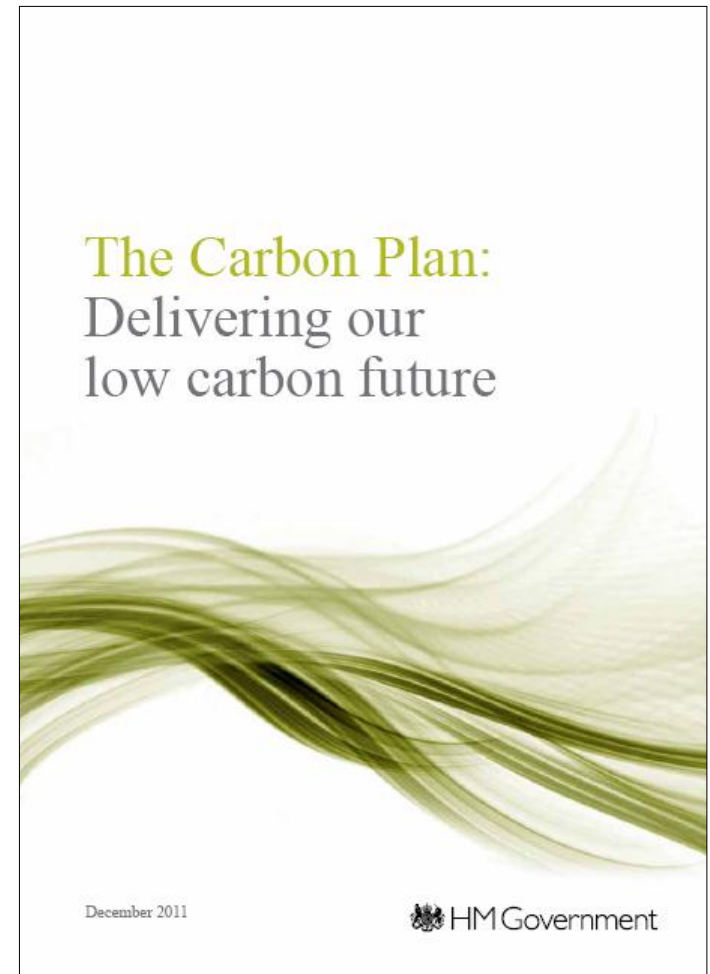
Not just government ...

US

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‘This plan sets out how the UK will achieve decarbonisation within the framework of our energy policy: to make the transition to a low carbon economy while maintaining energy security, and minimising costs to consumers, particularly those in poorer households.’

The Carbon Plan, 2011



Why is governance important?

... but also multiple actors & views



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Shift to governance partly due to ‘hollowing out’ of the State: liberalisation and globalisation

- Power has transferred ‘upwards’ (e.g. to the EU, multilateral agreements)
- It has also transferred ‘outwards’ (e.g. to regulatory agencies; public-private partnerships)
- In some cases, there has also been decentralisation and devolution (e.g. to Scottish government)

Governance means decision-making by multiple actors, including government(s), private sector and civil society

But there is no ‘one size fits all’ model

Why is governance important? ... but also multiple actors & views

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Energy boss warns of blackouts as competition probe 'stops investment in power plants'
Centrica chief executive says energy giant is unlikely to invest in power plants needed to keep the lights on while under investigation by the top competition watchdog

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24 September 2013 Last updated at 17:37
Ed Miliband: Labour would freeze energy prices
COMMENTS (2104)
Labour would freeze gas and electricity bills for every home and business in the UK for 20 months if it wins the 2015 election, Ed Miliband has said.
Ed Miliband: "Britain can do better than this"
The big energy firms would be split up and governed by a new tougher regulator to give people "a fairer deal".
Labour says the move will save average households £120 and businesses £1,800 - but cost the energy giants £4.5bn.
But energy companies said the policy could lead to power shortages, and jeopardise investment and jobs.
Labour conference 2013
Landle: Austerity socialism?
Wednesday at the Labour conference
Election Labour's to lose - Ashcroft

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Three main rationales:

- Interdependencies can amplify risks to infrastructures and the provision of services
- Economic efficiency: co-ordinating infrastructure investment can reduce immediate costs
- Co-ordination and innovation: to meet broader sustainability goals (e.g. carbon emissions reduction)

Governing interdependencies

Water and electricity case



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Increasing interdependence over past 20 years:

- Water quality regulations increased energy demand
- Similar approach to economic regulation (RPI-X)
- Integration via utility mergers, though these became less attractive as water price control became tougher
- Shared environmental regulator (Environment Agency)

Governing interdependencies

Water and electricity case



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- **Strong national and EU environmental agendas: improve water quality and reduce emissions**
- **But competing policy priorities: water quality vs energy demand / emissions reduction**
- **Some renewable energy investment by water companies to try to meet both objectives**
- **But investment stalled; discouraged by water regulator and climate policies**

Governance reform?



Integrated infrastructure
regulator?

Thanks

<http://www.ukerc.ac.uk>

<https://twitter.com/watsonjim2>