

ENERGY POLICY INDECISION REINFORCES THE NEED FOR COST AND TIME CERTAINTY



“More charges of energy policy dithering have hit the Government as a final decision on the proposed ‘clean coal’ plant at Kingsnorth in Kent has been further delayed until the autumn of 2009 at the earliest.” Paul Stapleton - Head of Energy & Manufacturing

Real concerns were raised at the recent Adam Smith Institute’s ‘Future of Utilities’ conference attended by the Chief Executives of the six leading energy companies; that an impending election and potential change of Government could delay any substantive decisions on long term energy policy for up to 18 months.

The Government needs to finally get off the fence. An 18 month wait with no significant developments in energy policy could cripple the spending plans of the ‘Big 6’ energy companies. Certainty around the Government’s position is the critical foundation on which to build cost and time certainty on the capital investment programmes that need to be delivered. A clear policy framework has to be in place, with particular urgency around dealing with the implications of the collapsing carbon price, where a fixed longer term outlook is vital to enable investors to be clear that they can recover the cost of planned capital expenditure.

Long term confidence

With investment programmes hitting £230 billion over the next 15 years the industry needs confidence in the long term returns that can be achieved based on long range policy making, consistent regulation and minimum unexpected market interventions. It is beyond doubt now that lack of action will lead to the lights going off and the 2020 low carbon targets are rapidly becoming a forlorn pipedream.

A real focus on the management of contract set up and costs within capital investment programmes is even more critical at a time of economic uncertainty.

Certainty of outcome

Recent months have seen a steep rise in consumer debt for the energy companies and also no sign that the deflationary pressures in the broader construction market are benefitting our sector. It’s going to be even more important to ensure front end project strategies with robust financial modelling are in place for major capital projects; and that best practice cost, programme and risk management is underpinning certainty of outcome in these challenging times.

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