

Extent should the uk
government regulate
the energy industry
assignment



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Market failure is defined as the failure to allocate resources efficiently. The UK energy market is said to be failing because of the Of the suppliers monopoly power. This allows them to exploit the UK customers as they have no other choice but to stay with the big 6 because of the lack of competition, there is also strong evidence that they are also colluding on the price of their service. Evidence shows that the price for gas rose by 8.8% and 9.2% for electricity, this huge increase in price alongside with the 25% rise in profits shows their clear ability to exploit their consumers.

If the government were to increase regulation of the energy industry there would be both positive and negative effects. The main positive of enforcing stricter regulations within the energy market would be to prevent the market failure. This would be highly positive for the consumer as it means that the resources would be allocated efficiently. Also as the government would have a more influential role within the market, and could allow them to reduce the negative externalities within energy production.

A negative externality is defined as a negative effect on a third party either through the production or consumption of a good or service. This increase in regulation could allow the government to enforce the providers to reduce their carbon emissions that they release whilst producing the energy. This would benefit the whole of the UK as it would mean there would be less pollution in the air, so helping reduce the rate of global warming. This would be seen as a large positive and would put the UK government in a good light as they are trying to reduce carbon emissions.

This regulation of decreasing the amount of pollution created could also help the organizations within the energy markets become more efficient. This could mean that the companies could reduce the price they can charge for gas and electric but still make the same amount of profit, therefore making them have a competitive advantage. The decreasing amount of pollution within the UK would also help create cleaner air.