

Energy Strategy Briefing.



Government takes the long view, but billpayers miss out in short term

Greg Rosen, Senior Counsel

Already facing heavy criticism for the lack of investment in measures that could have the greatest short-term impact on energy bills, the government has framed today's announcement as a strategy for the longer term. Deadlines for its biggest-ticket commitments are 2050 for nuclear and 2030 for offshore wind. New fracking is not a commitment, and the review is unlikely to enable it. But the small print included – that nuclear commitments are subject to value for money assessments and future Spending Reviews - may lead to different outcomes, particularly as the Treasury retains the power to block nuclear projects it considers too expensive, a power it usually deploys successfully.

Even if the Prime Minister's nuclear ambitions are realised, willpower alone does not create a power station, and the 2050 target for nuclear reactors, and the prioritisation of building offshore wind capacity in the meantime, reflects that. While it may be possible to increase current deployment rates of offshore wind, there remain constraints on the rate of construction. Making ambition a reality therefore will require government focus on delivery, and while there is clear thinking from BEIS on measures to speed the processes included in the strategy, it will still be "challenging", as one energy generator CEO described this morning.

The recent ScotWind auction of 25GW of Scottish offshore wind potential – enough wind farms to power the equivalent of 23 million UK homes a year – demonstrates the risk. Within weeks of the auction winners being announced, National Grid/ESO declared it did not plan to connect more than 10.7GW of the successful projects by 2030. This left billions of pounds of investment and clean generation potential swinging in the wind.

That approach would torpedo this strategy. One of its most crucial commitments is to future-proof investment in energy networks by tackling the Ofgem/ESO reluctance to sanction investment in grid until it is desperately needed. Solving under-investment in the energy grid will do more to accelerate the development of new projects from the substantial onshore wind pipeline in Scotland and Wales than making the planning system in England more viable. Securing this faster development of wind projects will benefit bill payers.

Until Kwasi Kwarteng became Energy Minister and then Secretary of State, energy policy was too often characterised by a lack of senior grip on detail. Commitments like this - less headline-grabbing but vital - on futureproofing the grid and enabling investment in pumped storage are a great leap forward and a manifestation of the improvements to the quality of policy-making that a good strategy should help foster.



Perfect Storm: can Boris Johnson use the right lever to meet our energy needs?

Dafydd Rees, Director, Comms



Making the UK's domestic energy supply independent and secure is easier said than done. Amid reports of rows in Whitehall and dissent in Conservative ranks, today's UK energy security strategy does little to prevent years of energy shortages and sky-high bills, as the Business Secretary himself admitted this morning.

The government is using all the levers available to them in a bid to lessen the impact of the war in Ukraine and the pressures of the cost-of-living crisis. These include licensing more oil and gas production in the North Sea, more nuclear power, and a focus on renewables. But this is a perfect storm of a global crisis, taking place on several fronts at the same time, which King Canute-like, Boris Johnson can do little to prevent from reaching UK shores.

Let's take two of the headline issues as examples.

The first is the invidious position which faces the EU as it seeks to reduce its reliance on Russian oil and gas imports, which is around provides around 40% of its gas needs. As Josep Borrell, the EU's envoy on foreign affairs, has stated, EU countries, by continuing to pay for Russian oil and gas, are currently providing President Putin with \$1bn a day to conduct his military offensive in Ukraine. Over the next six months, European countries will contribute an estimated \$36 billion in fossil fuel payments to the Russian economy, despite the growing list of sanctions being imposed on Russian banks and oligarchs.

It is hard to conceive, amid growing public and political pressure, that this can continue in its present form. It is also likely that President Putin will decide to cut off energy supplies first, pushing global gas prices to even greater record highs.

The second challenge is the global climate crisis. On Monday, the UN body, the IPCC released its most comprehensive assessment yet of the difficult decisions facing politicians and policymakers. The UN says the planet is on a pathway to global warming of more than double the 1.5C limit agreed in Paris in 2015. Massive concerted global action is required; to reach net zero, emissions need to be cut by 43% by 2030. Instead, emissions are on track to rise by 14%.

There are no easy choices here in confronting the threat of Russian aggression and climate catastrophe. The one hope we should share is that the invasion of Ukraine helps to accelerate the clean energy transition to go further and faster.



Labour's reaction: 'a missed opportunity'

Imogen Shaw, Senior Account Manager,
Advocacy



Shadow Climate and Net Zero Secretary Ed Miliband has described the government's energy strategy as a significant missed opportunity to tackle the rising energy bills facing UK families and bolster UK energy independence. The well-publicised disputes over onshore wind within the parliamentary Conservative party, and over funding for energy efficiency between No.10, BEIS and the Treasury, presaged a scaling down of the Prime Minister's ambitions in these areas and created clear targets for Labour to criticise.

Labour's central line on the strategy is that it fails to offer any meaningful help over the next decade for families facing the cost-of-living crisis. While Miliband stressed that the Labour Party is in favour of new nuclear, he has been quick to point out that the new nuclear power stations the government has pledged

won't be built for at least ten years – meaning that more needs to be done to bring bills down and boost Britain's energy security in the short term. Responding to the strategy, Shadow Treasury Minister Pat McFadden has also highlighted Labour's well-received calls for the government to impose a windfall tax on oil and gas companies to consumer bills.

Unsurprisingly, Miliband has been highly critical of the absence of a detailed energy efficiency plan within the strategy. Labour has argued that funding energy efficiency measures

now is how Britain could most effectively cut energy bills in the months and years ahead, and Miliband has reiterated that under Labour's plan, the UK "could insulate 2 million homes within the next 12 months, and 19 million over the next 10 years".

Miliband also criticised the strategy for 'rejecting' what he has described as "the cheapest, quickest, most secure form of power" in onshore wind and solar, accusing the government of caving to backbench pressure opposed to a revision of Cameron-era planning rules, which green groups have described as a de facto block on new onshore wind in England. While the strategy contains top line promises on onshore wind and solar, they are less ambitious than some of the proposals reportedly mooted by BEIS Secretary Kwasi Kwarteng and others in recent weeks.

A balancing act on planning and development

Beth Park, Account Director, Advocacy, Manchester

The launch of the Strategy from Hinkley Point C was a clear signal to industry. Nuclear is where the Government is focusing its energies, if you will.

The aim is to grow nuclear capacity up to 24GW by 2050, supported by the creation of a Great British Nuclear Vehicle, with new reactors located at the UK's eight long-established designated nuclear sites. A clever move by government perhaps as, in our experience, it can take many years of relationship-building to reach the point where communities are content with having nuclear technology on their doorstep.

For onshore wind, the prospect of wholesale changes to planning regulations appear to have been thwarted by Cabinet squabbles. Instead, there will be a consultation this year on how a "limited number" of local communities can take development forward. It is a similar situation with solar – an area we are particularly interested in, having presided over two solar DCO applications already this year. Again, rather than bringing in sweeping changes, the Government will consult on amending planning rules to strengthen policy in favour of development on non-protected land.

The picture is more ambitious for offshore wind, however, whereby a fast-track consenting route will be established to shorten examination timescales. Industry heavyweights such as Orsted, Vattenfall, and Iberdrola have all faced delays securing consents in time for government-backed renewable power auctions, so an announcement such as this will be well-received.

There's clearly been a careful balancing act here – one that seeks to deliver maximum impact with minimum disruption. But with the current complexities of the planning system against the backdrop that led to this strategy's publication, some will ask whether the proposals go far enough.

No quick fixes for business

Andrew Adie, Managing Director and Head of Green & Good

In the face of soaring energy bills and with their staff calling for wage rises to make ends meet, the energy strategy won't bring an immediate 'feel good' factor for many businesses.

Oil and gas companies, renewable energy producers, and developers and anyone involved in the nuclear power sector will no doubt be celebrating a strategy that will see their sectors gain a clearer pathway to growth and increased importance. However, no one is under any illusions that what has been announced today is a quick fix.

We face years of development before energy security is increased and for net zero, this is a far less obvious 'win'. The UK's 2050 net zero target was already looking under pressure, without more efforts to incentivise consumers and business to cut demand for energy as well as changing the way it is generated, then meeting that target looks further away than ever.

Downing Street sources are reported to now be describing this as an 'energy supply strategy', many businesses and consumers will still feel they have no clear direction on how they manage demand and the investment needed still creates a major barrier to change that needs to be removed.

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