

## **July Energy Policy Announcements: A fork in the road for government energy policy**

A number of energy policy announcements are anticipated over the next fortnight. These could determine whether the Government's energy policy genuinely addresses the triple crises of energy security, escalating household costs and the climate emergency - or whether, as the [Climate Change Committee \(CCC\) recently warned](#), ministers are only committed to tackling these issues in name only.

If the Government is truly committed to tackling these crises, all forthcoming policy decisions should be consistent with: providing maximum support to unlock renewables and fixing energy-wasting homes; ending support for coal and new nuclear; supporting a just transition away from offshore oil and gas instead of incentivising further investment in it; and confirming a ban on fracking.

This is in the context not merely of the war in Ukraine but also amidst a worsening climate crisis affecting health, wellbeing, the economy and food supplies globally - whether through heatwaves in India and Pakistan, Europe and California, or flooding in Bangladesh and Australia.

### **Anticipated announcements**

**Renewables auction results on 7th or 8th July** - for the first time in the last two years, the Government will award new contracts for future renewable energy. Although the final prices remain to be determined by the auction, the cost of new renewable power contracts will continue to be substantially lower than the cost per megawatt hour of new gas, oil, nuclear or coal. It is expected that the volume of new renewables contracted will be enough to meet the needs of around one seventh of current UK energy demand.

**National Grid publication of cabling plans for offshore wind farms likely on 7th July** - the launch of a ["holistic network design"](#) to help streamline the connection of large quantities of offshore wind to the UK's mainland.

**Cumbria coal mine final decision by 7th July** - Levelling-Up Secretary Michael Gove must meet a deadline of Thursday to decide whether the proposed project in Whitehaven should go ahead, following advice by the independent planning inspectorate.

**Planning permission for Sizewell C by 8th July** - BEIS Minister Paul Scully must also decide by this Friday whether to grant planning permission for the Sizewell C nuclear power station in Suffolk.

**Energy (Oil and Gas) Profits Levy Bill 2022-23 (windfall tax) will be introduced in Parliament on 5th July and debated fully on 11th July** - following Rishi Sunak's commitment to a windfall tax last month, this Bill will confirm the details in law. However, the Government's proposal still leaves the UK's tax rate on offshore oil and gas producer profits 5% below the global average, and the new Investment Allowance announced with the levy creates a loophole that could result in an additional £6 billion in public subsidies to oil and gas companies.

**British Geological Society (BGS) report on fracking to be submitted [this week](#)** - despite the Conservative manifesto commitment to a moratorium on fracking, the Government commissioned the BGS report earlier this year in response to backbench pressure. The Government may choose to confirm its policy towards fracking in response to the report.

**Energy Bill expected to be tabled in Parliament before recess** - the content of the Bill is very unclear - though it may include measures to support energy market reform to pass lower costs of renewables on to

households; digitisation of the electricity grid to support more system flexibility; and reform of the energy regulator's remit to consider the UK's net zero obligations.

## **A fork in the road for Government energy policy**

**The evidence is clear that an 100% renewable energy system, backed up by energy efficiency and a smart & flexible grid, is the best for the UK:**

- **Best for the climate:** The latest [UN IPCC landmark report](#) has emphasised the need to reduce the amount of energy we use by cutting energy waste, and the need to swap harmful fossil fuels for easy-to-deploy solutions like renewables if we want to stand a chance of limiting warming to 1.5 degrees.
- **Best for energy security:** 649 UK onshore wind and solar projects [already have planning permission](#). If they all went ahead, they'd save more gas than we currently import from Russia. Energy efficiency measures for homes could also [cut Russian gas imports by 80% this year](#). Handling variability in renewables output can be done through interconnection, demand management and storage through technologies like green hydrogen. [Australia](#) has shown it can be rolled out incredibly quickly, and has already got an agreement in place to export green hydrogen to Germany in 2024. By contrast, Sizewell C is the only nuclear power station in any form of readiness for a go-ahead decision and will still not be built before 2034.
- **Most popular with the public:** According to the Government's [own statistics](#), 85% of people said that they supported the use of renewable energy, such as wind power & solar energy to provide electricity, fuel and heat.
- **Cheapest:** Renewable energy can generate electricity at around [a sixth of the cost of gas generation in the UK](#). The relatively low costs in the upcoming auction results will help reiterate that renewable power is by far the best supply-side option for reducing household bills.

**In contrast, the alternatives of nuclear, fracking, new offshore oil and gas, and coking coal are expensive, often unpopular and will not deliver on energy security:**

- **Bad for the climate:**
  - [The UN Secretary General](#) has described new fossil fuel licences as 'political and economic madness,' and global energy experts, including in the [IEA Net Zero scenario](#), have made clear that to keep global warming within 1.5 degrees there must be no new fossil fuels.
  - [The CCC](#) has stated that 'coking coal use in steelmaking could be displaced completely by 2035, using a combination of hydrogen direct reduction and electric arc furnace technology'.
- **Won't help with energy security:**
  - New nuclear power is complex, beset by huge delays, and massively expensive. The proposed reactor model at Sizewell C, the EPR, is not fully operating anywhere else in the world; projects where it is being promoted elsewhere (France and China) have been subject to extreme delays, construction issues and cost escalation. One EPR in Taishan China operated for 3 years and has now been closed for a year with technical problems.
  - [BEIS itself has acknowledged](#) that fracking "would take 5-10 years to kick-start". There remain huge uncertainties about whether any shale gas is economically extractable.
  - The proposed Cumbria coal mine is for coking coal, not power generation. Indeed, UK steelmakers use a blend of coal rather than just one source, so coal in Cumbria would at

most minimally displace imports from Australia or the US. And [85% of the coal](#) is planned for export to Europe.

- New oil and gas licences take on average 28 years to get going, according to the North Sea Transition Authority's [own figures](#).
- **Unpopular:** According to the Government's [own statistics](#), only 37% of the public support using nuclear energy and only 17% support fracking.
- **Expensive:**
  - Despite the consistent track record of new nuclear power not delivering on time or to budget, the Government's funding model for Sizewell C would mean bill-payers are liable for any construction risks - potentially raising consumer costs significantly. Financial models like this elsewhere in the world have left consumers on the hook for business failure at huge scale.
  - [BEIS itself has acknowledged](#) that fracking "won't even lower the price. We need to get real: Lancashire isn't Texas, any shale gas we do find won't lower the European price, and Cuadrilla aren't going to sell their gas below market rate, are they?"
  - Business Secretary [Kwasi Kwarteng](#), Energy Minister [Greg Hands](#), COP26 President [Alok Sharma](#) and the [CCC](#) have all stated that new oil and gas won't help reduce bills. Fossil fuels [aren't nationalised](#) in the UK, so any newly extracted fossil fuels will most likely be sold to the highest bidder on international markets.
  - Energy analysts Cornwall Insight say that gas prices [will remain high for this decade](#), and that will be true whether or not fracking or new oil and gas are given the go-ahead.

### **The choice for the Government is clear**

The Government should use all upcoming energy announcements to reflect these realities, rather than pandering to the demands of a minority of misinformed backbenchers. That means:

- **Providing maximum support to unlock renewables and energy efficiency -**
  - Do not delay the publication of the National Grid offshore wind cabling plans.
  - Do use the Energy Bill to:
    - Facilitate the introduction and tightening of minimum energy efficiency standards for all housing tenures, including owner occupiers.
    - Enshrine a market-based mechanism for encouraging low-carbon heating & the powers to phase out fossil fuel heating systems.
    - Reform the energy market to more accurately reflect the cheaper costs of renewables for households.
    - Reform the capacity market to encourage investment and innovation in zero carbon flexibility technology to ensure a secure renewables-based system.
    - Digitise the energy system to support a flexible renewable system.
    - Give Ofgem an equal duty to act in line with the UK's net zero commitment and protect consumers.
- **Ending support for coal and new nuclear** - Government should reject both the Cumbria coal mine and Sizewell C projects.
- **Supporting a just transition away from offshore oil and gas - rather than incentivising further investment in it** - The Government should ensure that the Energy Profits Levy Bill brings UK oil and gas taxation permanently in line with international averages, using additional revenue gained to invest in a nationwide home energy efficiency retrofit programme. The Investment Allowance for new oil and gas projects should also be removed.
- **Confirming a ban on fracking** - irrespective of the conclusions of the BGS report, Boris Johnson should confirm opposition to fracking given the multiple issues outlined above.