


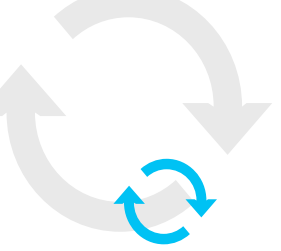
UK ENERGY WHITE PAPER: POWERING OUR NET ZERO FUTURE



IN THIS FIRST DEEP-DIVE INTO ENERGY POLICY FOLLOWING ON FROM OUR GREEN RECOVERY REPORT, WE SET OUT REACTION TO THE UK GOVERNMENT'S LONG-AWAITED ENERGY WHITE PAPER. 

HERE IS OUR INITIAL REACTION!





TEN POINT PLAN

Just before the White Paper was published, Prime Minister Boris Johnson set out his own [Ten Point Plan for a green industrial revolution](#). This stole much of the Energy White Paper's thunder but is significant as it comes directly from the Prime Minister, not from a government department, showing how seriously the green agenda is now being taken.

Many of the Ten Points chime with what we said in our Green Recovery Report: advancing offshore wind, low carbon hydrogen, new nuclear power, greener buildings, investing in carbon capture, use and storage – all the bases are covered.

KEEPING OPTIONS OPEN

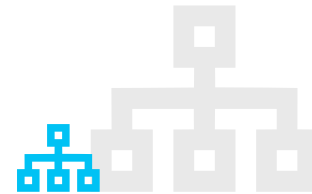


Electrification alone won't get us to net zero by 2050 and so the White Paper models a range of options, including hydrogen, making buildings more energy efficient and, where electrification is the answer, how to introduce a range of new flexibility products so that the grid is not overloaded at peak times. It will be left to the market to deliver these, but there will be government support through financing models for hydrogen and CCUS projects: look out for further consultations on these this year.



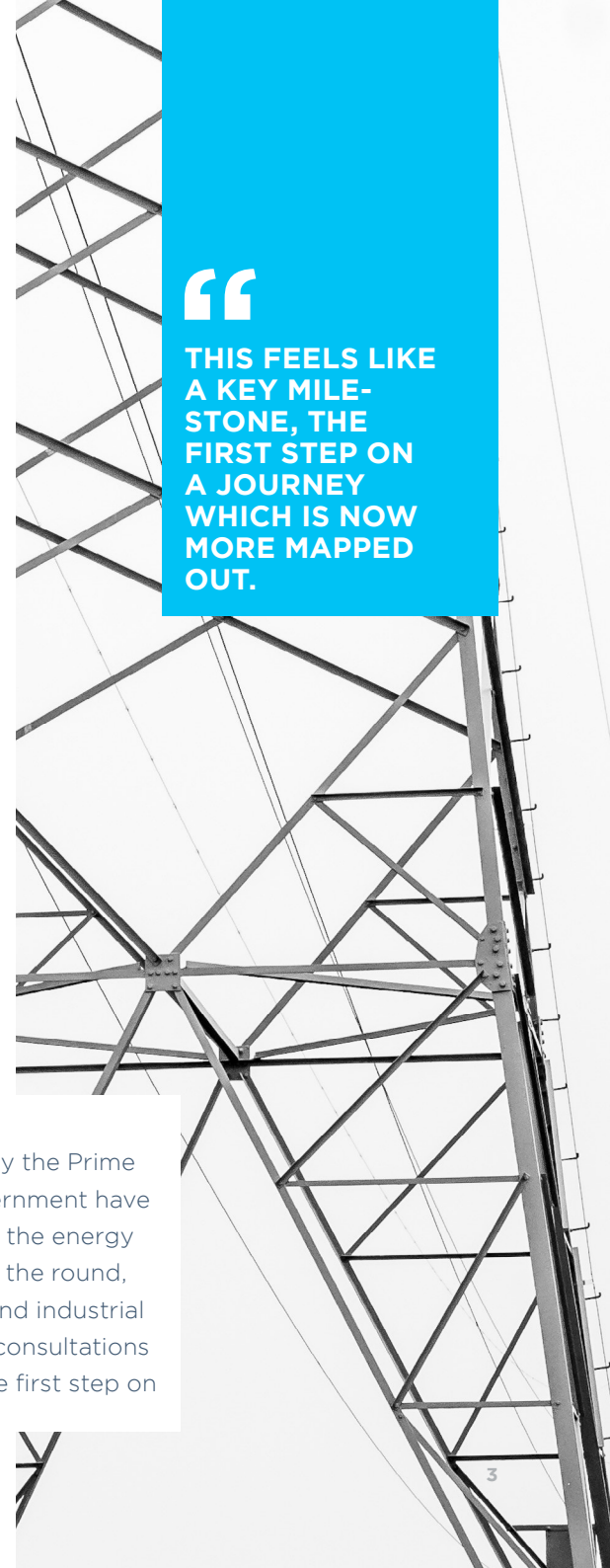
ELECTRIFICATION

The electricity sector has decarbonised the fastest and will be the bedrock of decarbonising the whole UK economy. The White Paper is planning for a doubling of electricity demand as transport and heat switch from petrol/diesel and gas respectively to electricity. There will be a fourfold increase in low-carbon generation and at least 18GW of interconnector capacity by 2030 ([a report on the impact of interconnectors on decarbonisation](#) is published alongside the White Paper).



HOLISTIC APPROACH

The Energy White Paper may be late and pre-empted by the Prime Minister's own agenda, but it's worth the wait. The government have thought this through. The White Paper does not look at the energy system in isolation but considers the road to net zero in the round, looking at how decarbonising the transport, buildings and industrial sectors will impact on energy. There are lots of further consultations to come next year, but this feels like a key milestone, the first step on a journey which is now more mapped out.



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END TO NATURAL GAS IN HOMES

This is bound to be one of the more eye-catching headlines but it's not as radical as it first appears. The gas networks have known for several years now that gas needs to decarbonise and the net zero 2050 target cemented this. The Ten Point Plan provides for a hydrogen town by 2030 and 600,000 new electric heat pumps installed each year by 2028 and finally we can expect a consultation on ending gas grid connections to new homes by 2025. By 2030 all newly-installed heating systems should be low-carbon or appliances that can be converted to a clean fuel supply. Electric heat pumps and hydrogen, green gas and shared heat networks all have their part to play in decarbonising heat.



THE NUCLEAR OPTION

Another headline is the news (trailed in the Ten Point Plan) that the government aims to bring at least one large nuclear project to Final Investment Decision stage by the end of this Parliament. Press reports say that this is EDF's Sizewell C. This could be partly financed by the government, like Hinkley Point C, if there is clear value for money in doing so. Alongside the White Paper, the government published its response to its consultation on the RAB model for private investment in new nuclear generation (for background see our article, [Net Zero Needs the Nuclear Option](#)), which indicates that a RAB model is credible for funding large-scale nuclear projects.

As already mentioned in the Ten Point Plan, the government is also looking at smaller nuclear plants, with a £385 million Advanced Nuclear Fund to develop a Small Modular Reactor (SMR) design and build an Advanced Modular Reactor (AMR) demonstrator by the early 2030s.



POWER TO THE CONSUMER

So what does all this mean for you and me? To decarbonise the whole energy system is not something that the energy industry can do alone; it needs behaviour change by all of us too. The first chapter of the White Paper is all about consumers and making sure the cost of decarbonisation is shared fairly. The gist is that energy efficiency savings should offset the inevitable rise in energy bills as the costs of decarbonisation are socialised.

One of the key points is introducing opt-in switching of energy suppliers. Expect a consultation in March 2021 and opt-in switching to come into force by 2024. There will also be more transparency around “green” products and services, with a consultation in early 2021 on what it really means to be “green”.

Over the next 30 years we as consumers will become more active participants in the energy system, whether by using electricity at (cheaper) times of low demand through time of use tariffs and smart appliances, or plugging in our electric cars to send power back to the grid at peak times, and getting paid for it. The key to all this is keeping it fair: the more affluent who can afford solar panels and battery storage should not be making others pick up the fixed costs of running the grid. The Treasury’s Net Zero Review is looking at this and gave an [interim report](#) in December 2020 with its final report due later this year.

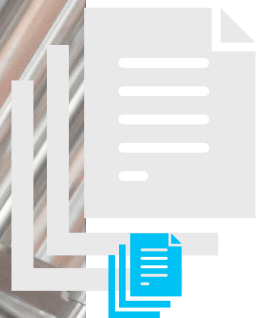
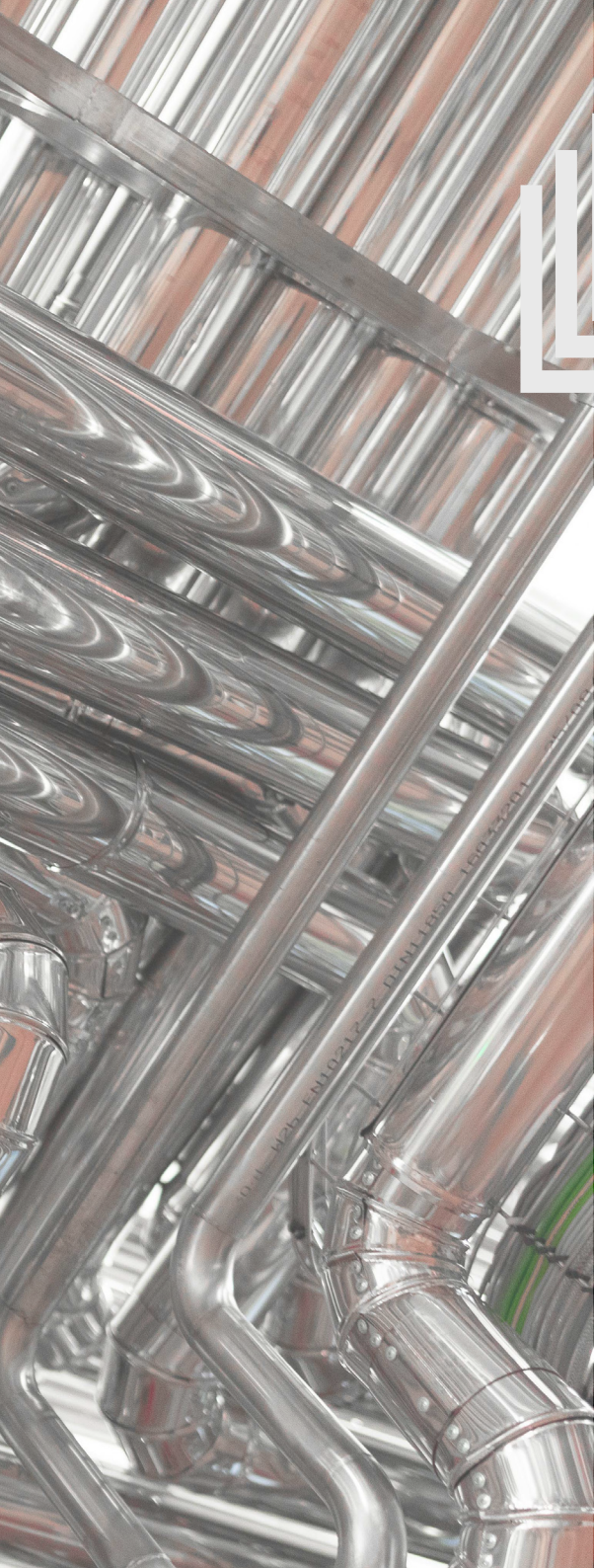


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OIL AND GAS

There is a section of the White Paper on the oil and gas industry. A lot of it is repeating previous policy such as the OGUK Roadmap 2035 but we can expect a North Sea Transition Sector Deal in the second half of 2021, which amongst other things will deal with repurposing operations away from fossil fuels to CCUS, offshore wind and hydrogen production.



REGULATORY OVERHAUL

All these changes may mean the regulatory framework also needs to change and there will be engagement with industry and consumer groups during 2021, looking at things like peer-to-peer energy trading, or energy as a service (buying a guaranteed temperature at home rather than paying for units of gas or electricity, for example) before a formal consultation.

More generally, BEIS is looking at the energy regulators Ofgem and the Oil and Gas Authority (OGA) and will be updating their Strategies going forward. Again, there is a hint that Ofgem will have achieving net zero as a policy objective, as we discussed in our article, [Utilities to be at the front of Net Zero?](#)

There will be a consultation in 2021 on energy system governance, looking at the roles of Ofgem, the electricity and gas system operators and the transmission and distribution networks. There is a suggestion of an entirely new body to co-ordinate the different parts of the energy system and greater independence of the ESO from National Grid. [Ofgem have just recommended this.](#) Watch this space.



UK ETS

One thing the Energy White Paper has clarified is the route for carbon pricing after the Brexit transition period. The government had been considering a UK Emissions Trading Scheme (ETS) to replace the EU ETS, but was also drawing up plans for a carbon emissions tax as an alternative, as we explained in our article [The Road to Net Zero: The UK Emissions Trading Scheme](#). The White Paper confirmed that there will be a UK ETS that will initially apply to energy-intensive industries, electricity generation and aviation but will expand to other sectors in time; and the government produced guidance on participating in the UK ETS three days later.



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COMMENT

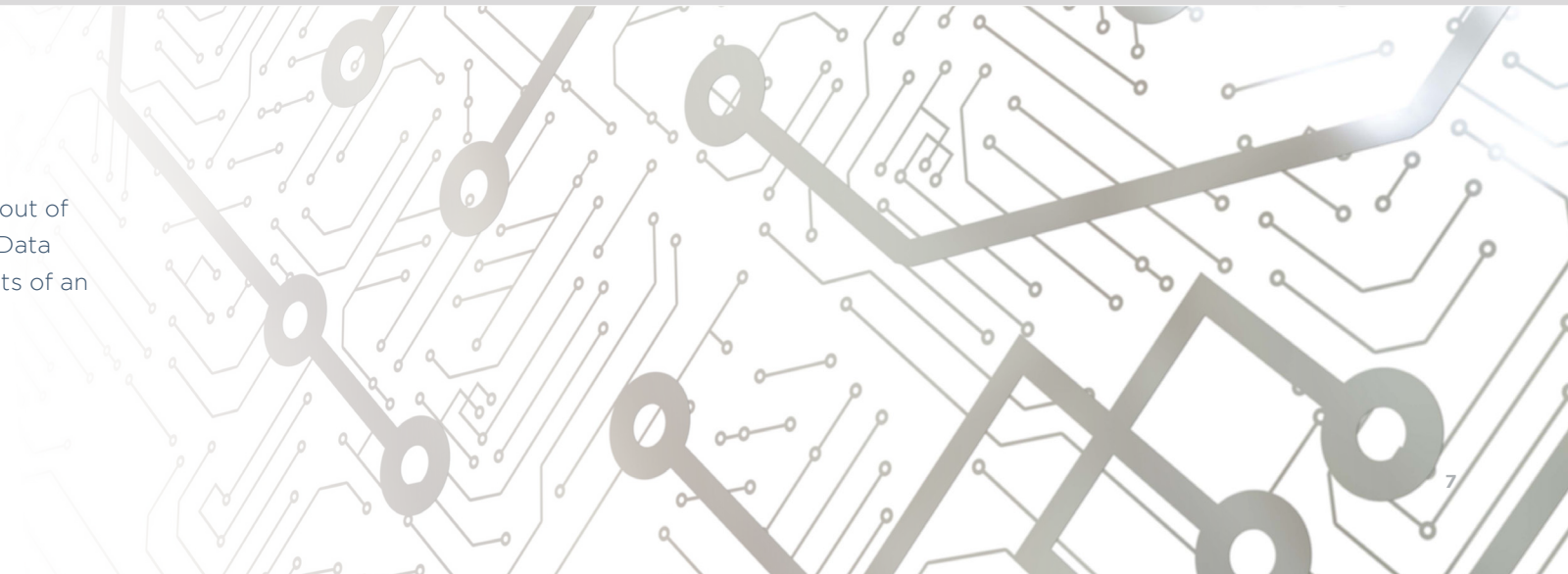
**THIS IS JUST A SNAPSHOT
OF WHAT THE ENERGY
WHITE PAPER CONTAINS
AND WE SUGGEST YOU
READ IT IN DETAIL.**

There is a helpful summary of the key commitments at the end of each chapter if you are short on time. The White Paper sketches out a path to net zero, looking at consumers, power generation, the energy system, transport, buildings, industrial energy and oil and gas. Following on from this will be a raft of consultations (some of which were published alongside the White Paper) to put the detail on the outline.

The next ten years are going to be transformative and it will be interesting to look back in 2030 and see how far we've come, although there's still a long way to go to reach net zero by 2050.

LOOK OUT FOR...

Our next in-depth look at the topics coming out of the Green Recovery Report will be on Open Data and Digitalisation: key for realising the benefits of an integrated, holistic energy system.



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