

Letter to the Business Secretary

UK energy policy has always had three aims. There is the need to ensure sufficient capacity to keep the lights on at all times. There is the need to keep prices down so energy is affordable for families and competitive for businesses. There are the environmental objectives.

Successive UK governments have achieved a lot in shifting to low or no carbon forms of generating electricity. Success in decarbonising must now shift to the parts of the world where there are still large increases underway in coal, oil and gas extraction and use. China is currently planning an additional 250 GW of coal based electricity capacity, more than 6 times the UK's total electricity output from all sources. India is planning a substantial expansion of her coal industry, and China aims to add another 900m tonnes of annual output, compared to our total use of some 10 million tonnes a year.

Policy has not been so successful in ensuring future self sufficiency in energy. Current plans assume a growing dependence on imported power from the continent, which makes no sense. The continent runs a lot of coal still in its mix, is very dependent on Russian gas, and may not have cheap power available when we need extra supplies. The policy is literally playing Russian roulette with our energy supply.

In order to balance a system which now contains a lot of interruptible renewables the government needs to create conditions for more pump storage flexibility, and for more combined cycle gas stations to provide base load when the wind is not blowing or the sun is not shining. It is an urgent requirement to examine the resilience of our system, to reduce its import dependence, and to ensure sufficient growth of power provision to take account of possible growing demand from transport and home heating.

There is also the question of cost. Some of the marginal power introduced into the system is expensive and requires substantial subsidies to maintain it. The system needs revision to bring down excessive subsidy costs, and to send the right financial incentives to those who can produce more power at low cost on any normal cost attribution and pricing system.

I would be happy to go into more detail of how the UK could rebuild self sufficiency, and offer more cheap power to consumers and businesses. The government has rightly said it wishes to encourage more industry in the UK, so it needs to ensure a plentiful reliable supply of competitively priced power to business. It does not currently do that, encouraging industry to locate in places like China where they keep power costs down by burning plenty of coal. This makes no sense for the environment or for our economy.