

My Telegraph Article on Hydrogen and Energy

The government takes its net zero ambitions seriously . It is embarking on a trial village scheme to see if we could all heat our homes with hydrogen. Many people would prefer to keep their current boilers and pipes and switch to hydrogen when it is safe and affordable to do so. Heat pumps are a hard sell with doubts expressed about the costs of installing them, the costs of running them and the adequacy of the heat in older homes. The government have various issues to trial around hydrogen safety, leaks and affordability. When would the cost of it come down? Will it become competitive with current natural gas charges? Is it a priority to introduce it into homes, or to develop it for powering trucks and heavy plant where batteries are more difficult?

The truth is the green revolution cannot take off until there are products and services people want to buy and can afford that will take natural gas and solid fuel heating out of homes and replace diesel and petrol vehicles. For this reason government has concentrated more on getting the electricity industry to make a major change to how it generates its power first, and has instructed business to put themselves on a faster journey to net zero than individuals and families. There is no point in making people go electric if generation is not green. The danger is in doing so the government intervenes too much in our energy system, raising costs and charges and damaging national resilience and supply. It is not a green win if the UK replaces domestically produced gas with imported LNG, as that produces far more CO2 in its compression, transport and conversion than using our own gas from a North Sea field by pipe. Nor is it a world win if we make energy too expensive here driving steel, ceramics and other energy industries out of the country. We will then have the additional CO2 for transporting the imports as well as losing the jobs and tax revenue.

In its latest Energy Bill the government proposes making an additional tax charge on energy users to cover the costs of some of the development work on hydrogen. This is the latest in a series of extra taxes on energy. We have very high carbon taxes through an emissions trading scheme which the UK has made severe. There are windfall taxes on energy profits. The rate of general business profits tax has been raised by 31% this year. The costs of getting permits and complying with all of the requirements if you still want to put in a power station, drill for gas or build a wind farm have also gone up, whilst the electricity grid is not large enough for the extra renewables wanting to use it. The main energy policy seems to be to get investors to put in more pipes and cables to the continent so we can import more, especially when the wind is not blowing and the sun is not shining and we are short of power. This model results in yet dearer energy as we have to bid into a European market that is often short of power itself.

There has to be some end to this policy of ever more taxes and interventions. Some industries in the UK are not competitive today because

of our energy costs. Government then has to boost public spending by granting subsidies to industries that cannot survive with current energy prices, giving back some of the taxes it has imposed. This is a self destroying money go round, where not imposing the tax in the first place would be a better answer.