

Speech: Global Britain's Bright Energy Future

As you might just be aware, Brexit is dominating our political bandwidth. Sometimes it seems we talk of nothing else. But this makes it all the more important to keep in mind that there is a future and a world outside and beyond Brexit.

In November 2017 the Government published our Industrial Strategy. Amongst other things, it set out 4 "Grand Challenges": the major global trends which will affect every economy over the coming decades, and to which every society will have to respond.

These are the challenges posed by an ageing population, the rise of artificial intelligence, the changing face of mobility, and Climate Change.

If you were focussed purely on Brexit, you could be forgiven for thinking that 15 months was a very long time.

But 15 months after we published the Industrial Strategy and those long-term trends are still there, just as much as before.

In December I was at the Consumer Electronics Show in Las Vegas, where I heard how the changing face of mobility will transform our energy use: from low-emission vehicles to the rise of mobility as a service rather than an asset, enabled by ride-sharing apps and self-driving cars.

And whilst 15 months may be a long time in the Brexit negotiations, it is in a sense an even longer time in the world of Climate Change. I am sure you will all have seen last year's UN report, but I think it bears repeating.

After all, fighting Climate Change is about salience as much as science: most people know we have to stop it, but they do not prioritise stopping it.

To remind you, the UN said that we had just 12 years to avert Climate Change catastrophe.

That was last year. It's now 11.

From heatwaves to hurricanes, you can try and ignore climate change, but it has a way of forcing itself up the agenda.

It is no longer just a case of saving the planet for our future generations: if we don't fix the problem by 2030, we could see permanent harm in our own lifetimes.

I said this was a trend to which every society would need to respond.

Clearly this is about the whole of society, not merely the Government, but as a member of the Government you could ask me what we are doing about it.

Firstly, I should say at the outset, as this is a myth I often have to counter, that we are not and will not use Brexit as a means or an excuse to lower environmental standards.

The UK is legally committed to reducing greenhouse gas emissions by 80% between 1990 and 2050. This is a commitment that is part of our domestic law through the Climate Change Act, not EU law.

Our environmental standards are already above the EU minimum. If this Government had wanted to reduce environmental standards, we would have reduced them already. We do not.

We are proud of our country's record as a champion of climate change action on the world stage, including setting the agenda by being the first country to legally-bind ourselves to meeting the Paris Accords.

Reducing our environmental standards would not be in the UK's interest. The United Kingdom's comparative advantage is in quality, not price, and that includes high environmental standards.

Secondly, the Government is taking tangible measures to combat Climate Change.

We have made a world-leading commitment to stop the sale of new petrol and diesel cars by 2040. We will close our remaining coal-fired power stations by 2025 – and indeed, there were many days during the last year when we had no coal-fired stations on the grid at all.

The UK is predicted to have enough capacity for 30 Gigawatts of electricity from offshore wind by 2030, building on its current position as the world's largest producer of offshore wind, with 7.9 Gigawatts of capacity.

And we are making long term investments to advance this technology, such as the £246 million allocated to battery research through the Faraday Institute.

But, thirdly, in Climate Change as in all things, we must never let the perfect be the enemy of the good.

That is where oil and gas come in.

Yes, we must focus on a low-carbon future.

But the simple fact is that for the moment we do require fossil fuels to deliver secure and affordable energy: we are not in a position to heat our homes without gas or maintain our supply chains, our commutes or our rural areas without petrol.

That need for oil and gas is especially pressing for countries in the third world, who need affordable energy to grow their economies to a level we take for granted.

Yes, renewables are better than fossil fuels. But that should not mean that we ignore the role gas has to play in decarbonisation, when it burns nearly

twice as efficiently as coal.

Nor should we ignore the role the oil and gas industry has contributed to our society.

This sector is estimated to have directly employed 37,000 people across the United Kingdom last year, and a further 127,000 in related supply chains. It has contributed billions in tax revenues, year after year, which fund our public services.

And the Extractive Industries Transparency Report, published this week, found that the UK extractive sector has an excellent track record on business ethics, leading the way on accountability and transparency.

And the oil and gas industry has also played a vital and prescient role in developing low-carbon alternatives, through investing in clean energy and its contribution to technology and know-how.

It is hard to imagine that offshore wind would be so competitive now, with the price down nearly two-thirds to £57 per Megawatt Hour at the latest auction, if it was not for years of learning how to build and maintain offshore platforms in drilling.

For all those reasons, the Government is proud to support the oil and gas industry. The Oil and Gas Authority has played a vital role in reviving the North Sea fields.

And the Department for International Trade is working closely with the Authority and with Industry to increase exports from the UK supply chain, as outlined in our Maximising Economic Recovery Strategy.

It should come as no surprise that boosting exports and international investment is such a major focus for us, when oil and gas is a supremely international industry.

For example, our recent support for Bapco's Sitra refinery was in Bahrain, with Technip as the main engineering, procurement and construction contractor, and WorleyParsons as the main UK contractor – worth some £539 million.

There is also the Offshore Cape Three Points Project in Ghana, where UK Export Finance provided \$400 million as part of an innovative project financing/reserve-based lending structure.

The project is going to continuously feed Ghana's thermal power plants for over 20 years; as well as helping Ghana meet its Paris Agreement obligations by displacing heavy fuel oil with gas. This is the equivalent to taking 1.2 million cars off Ghana's roads each year, or planting 152 million trees; and it will support jobs across the United Kingdom, from Bristol and Aberdeen.

All that is part of the Government's wider drive to increase exports. My colleague Baroness Fairhead, the Minister of State for Exports, will headline the Energy Exporting Conference to be held in Aberdeen in June this year.

This is all part of our wider Export Strategy, which we launched in August. It sets a national goal to increase exports from 30% of GDP to 35% by providing the finance, connections, knowledge and encouragement businesses small and large need to export.

That international focus is only going to become more apparent as North Sea production declines and huge new opportunities arise in places such as Senegal/Mauritania, or in the East coast of Africa, which could become a major new area for hydrocarbon extraction.

So my challenge and yours is to help companies export.

And my challenge and yours is to prepare for the future.

I mentioned earlier a series of global megatrends that the government is preparing for, of which climate change and the transformation of mobility are particularly relevant for our purposes.

But there is a different trend, of particular relevance to our present political debates.

We are at the beginning of a Pacific century, after 4 Atlanticist ones.

The rise of Asia is no longer part of the future: one figure I often quote is that according to the IMF 90% of global growth will occur outside the European Union. But that's not 90% in the distant future. That's 90% in the next 5 years. China alone will have 220 cities with a population of more than one million people by 2030, when the whole of Europe has just 35.

But it is important to realise that this does not mean ignoring our European markets.

Nor does it mean letting the perfect future be the enemy of a good future.

That is why I want to see us leave the European Union with a deal that maximises access to European markets, while also maximising our freedom to reach out to new markets around the world.

There is no perfect deal. But I can reassure you that the government's goal is to make sure we leave in an orderly way.

We do not want a no deal, which, while survivable, would cause unnecessary disruption for businesses and for our economy.

And business should not want a No Brexit, which would undermine our democracy in a way that is not only unacceptable in itself, but would also hardly be conducive to a healthy business environment.

What we should be doing is leaving in an orderly way, so we can look to the world and the time and opportunities beyond Brexit.

But also so we can look to the challenges beyond Brexit: of which Climate Change is undoubtedly one of the most pressing.

The UK and the world are undergoing and must undergo a transition towards a low-carbon future.

And the UK and the world's oil and gas industry can play a positive and important role here.

So I will leave you today with a question.

Where will you be on August 12th, 2026?

Certainly in my case I hope to be looking at the UK's first full solar eclipse since 1999.

There are some things we can predict for certain, years in advance.

Climate change is one of them.

Our commitment to work with the oil and gas industry to deliver the affordable, secure, cleaner energy future is also something you can rely on.

And our commitment to tackle climate change is something else you can rely upon: a fixed point on the firmament for any investor.

Based on our current predictions of solar energy use, it is estimated that that eclipse will take up to 3.5 Gigawatts of power from the grid – something the National Grid is planning for.

So who says the UK isn't a sunny place in which to live and work! A sunny place with a bright future.

Thank you.