

# Speech: UK and Norway energy partnership for clean growth

Thank you for the invitation to speak today about a subject that is right at the heart of the UK-Norway relationship and the British strategy for clean growth. Given the natural gas focus of this seminar, I would like to begin by setting out the importance of gas to the UK economy. I will also comment on where gas fits with our plan for decarbonisation and how this provides new opportunities for growth in the British-Norwegian energy partnership. Role of gas in the UK energy mix

Gas remains one of the key pillars of the UK's energy mix, and a central reason why the UK's energy partnership with Norway is so important.

Gas accounts for over one third of the UK's energy production. Around 70 per cent of all heat generated is from gas. For electricity, around 40 per cent is from gas. We have seen that gas generation is one of the most flexible and reliable sources of power.

The UK produces less than half of its gas requirements. We have one of the largest and most liquid gas markets in Europe, with extensive import infrastructure and a diverse range of gas supply sources.

To give you the latest statistics [2017]:

British energy policy-makers give a lot of thought to present and future demand. Their analysis tells them that gas will remain critical to the UK energy mix, both for energy security, and our transition to a low carbon economy over the medium term into the 2030s.

UK gas demand is expected to remain relatively stable over the next two decades.

We expect domestic production to gradually reduce by around 5 per cent per year until 2035. Therefore, the role of imported gas to the UK is set to grow in the medium term.

This presents opportunities for our suppliers including Norway.

The decline in UK domestic gas production means that in the decade from 2007 to 2017 our gas imports increased from 20 percent to 45 percent of UK demand.

The UK's main source of gas imports has been Norway, making up three-quarters of UK imports in 2017. Reliability of supply is of great importance to British gas consumers. It is part of the regular conversation which we have with Norway, at both policy and technical levels.

We are encouraged that in our various dialogues with Norway we are receiving excellent understanding and a resolve to ensure that gas outages don't happen. I take this opportunity to underline the importance of this to the

UK, particularly as our gas supplies from Norway look set to increase.

Decarbonisation is central to UK policy. We need to reduce our fossil fuel consumption across the economy, including the way in which we use gas.

Last year, the UK announced an end to coal-fired power generation. We will phase out the use of unabated coal to produce electricity by 2025.

This will bring further opportunities for gas generation, alongside the growing sources of renewable generation.

I mentioned that the role of imported gas to the UK is set to grow in the medium term and that this presents an opportunity for foreign suppliers including Norway.

We note the tremendous investment that has gone into Norwegian gas infrastructure, including the expansion at Nyhamna and the new Polarled pipeline. The Aasta Hansteen field which came on stream last month is now producing Arctic gas that reaches the UK market.

We believe that gas has a place in the UK Clean Growth Strategy. This is our blueprint to cut carbon emissions, protect the environment, meet our domestic and international climate change obligations, and drive economic growth.

Low carbon innovation is at the heart of our approach, with over £2.5 billion in government investment from 2015 to 2021.

The Clean Growth Strategy sets out British policies and aspirations up to 2032 and beyond across the economy. It encompasses housing, business, transport, the natural environment and green finance. And there is a big focus on continuing to decarbonise the heat and power sectors.

So what have we achieved so far?

Since 1990, the UK has cut emissions by over 40 per cent while our economy has grown by two thirds. Our shift from coal to gas and renewables accounts for this.

20 years ago, around 2% of our electricity came from renewable sources. Last year renewables accounted for 33% compared with only 5% of power generation from coal.

We are committed to clean, smart, flexible power – Investing in renewables such as offshore wind. This is an area where the UK and Norway already have a strong partnership with significant Norwegian investment in the UK, which now has the largest installed offshore wind capacity in the world.

Through the Clean Growth Strategy, we have also set out a new ambitious approach to technology and innovation, including Carbon Capture, Usage and Storage (CCUS).

As part of this, we want to work with other Governments and industry to reduce its costs and accelerate its global deployment. I know that Norway shares this ambition, so we were delighted by the strong Norwegian

participation last November in a high-level international Summit on CCUS, co-hosted by the UK and International Energy Agency.

CCUS is one of the technology solutions that could make gas a viable energy source for the long term and consistent with our climate change goals. The UK is looking at the potential for gas conversion to hydrogen using CCUS to provide clean energy. Trials are underway in Leeds to determine if hydrogen can be used in heat networks. Norway is playing a part in this research with involvement by Equinor.

Our policies for decarbonising the economy are happening as the UK prepares to leave the European Union.

This diplomatic forum provides an opportunity for me to share UK ambitions for energy relations with our European partners.

As our Prime Minister has made very clear, the UK wants to secure broad energy co-operation with the EU, ensuring that energy trading continues as efficiently as possible with the EU to underpin our future economic partnership. Energy is an area in which there is no doubt that we all share a strong alignment of interests. We have been a leading advocate for the development of the internal market in energy since the early 1990s when we were one of the first countries in the world to liberalise the energy market.

We want this to continue. We have a mutual interest in agreeing broad energy cooperation given our geographic proximity. Broad cooperation can lead to reduced emissions, lower energy bills and increased security of supply, and will accelerate the transition to a low carbon economy and help to deliver both the UK's and the EU's energy and climate objectives.

But whatever the exact nature UK's future energy relationship with EU, we are in no doubt about the importance of our energy partnership with Norway.

Norway already plays a pivotal role in Europe's gas supply security – meeting around 20% of all of Europe's demand, and will continue to do so in the future as we require more imported gas.

We are already seeing the growth of the European gas pipeline network underway, solid plans for new routes as well as bringing new supply from harder to reach areas. Expansion further north is bringing new supplies that the UK sees as positive for energy security and long-term gas supply to the British market – and growing our energy partnership with Norway.

More broadly, we have shared interests in the North Sea – underpinned by our established bilateral agreements. Norway is a valued investor in UK wind projects. And we are looking forward to the completion of the North Sea Link Electricity Interconnector, which we believe will benefit both Norway and the UK.

In closing, I would like to thank Gassco for the invitation to share these reflections and the NHO for hosting this diplomatic forum.