

How to cut energy prices

it sounds as if the government does now think it has to act to cushion the impact of energy bills on household budgets in April. It also sounds as if they will let the price go up, so they will probably determine to route more taxpayer cash to lower income families through benefits and tax credits. Alternatively they will subsidise energy companies to keep bills down. This would be a dearer route but would help more bill payers.

What they need to do is to solve the underlying problem of a shortage of energy. Our electricity system is too reliant on wind and solar which can drop off to very little power when the weather changes. They need to keep more of the fossil fuel capacity we currently have as back up. They need to install more reliable green generation with more hydro, biomass and nuclear. Depending more and more on unreliable imports means paying peak prices at times of general shortage with adverse effects on bills.

The government as argued here before needs to licence new gas and oil from U.K. sources. It is not green to ban domestic production only to rely on more carbon intensive imports of coal and gas instead. The U.K. could follow the US model of lower gas prices with plenty of home production rather than the European model of very high prices, gas scarcity and reliance on Russian imports.

It is far from helpful that the government will end up with higher benefits, more subsidies and higher public spending because they have allowed a severe shortage of gas to emerge. Cutting our stockholding capacity and our domestic output comes with a dear price.

Getting Brexit done

The Conservative Manifesto of 2019 promised to get Brexit done. It stated the government would "take the whole country out of the EU as one United Kingdom". We would leave the Customs Union, be able to pass our own laws and end the jurisdiction of the European Court of Justice. "There will be no political alignment with the EU". We would take back control of our laws, our money and trade policy, and ensure we are in full control of our fishing waters.

The central offer was to "use our new post Brexit freedoms to transform the UK for the better by focusing on your priorities".

In some blogs in the days ahead I will examine how far the government has got in implementing this vision, and how we can take advantage of our new freedoms to do better. At the time of the Withdrawal Agreement I drew

attention to issues over Northern Ireland trade and fishing, and was told by Ministers these would be sorted out for in the final Agreement. I was not satisfied they were so I did not vote for the final Agreement.

I am pleased that the government now recognises that the trade position for Northern Ireland is entirely unsatisfactory and needs substantial change. I urge them to take action to enforce the clear statements in the Northern Ireland Protocol that both sides respect the internal market of the UK and regard Northern Ireland as part of that market and customs Union. The Protocol condemns diversion of trade, yet we are witnessing a major diversion of trade from GB to NI to EU to NI. The UK should instruct our Customs officials to allow free passage of goods from GB to NI as we do within the rest of the UK, if necessary confirming the instruction to them in UK legislation and making clear this is the UK interpretation of the NI Protocol. The UK Act should also confirm UK sovereignty over NIU/GB trade and exclude any role for the ECJ.

Ukraine

In 2010 President Yanukovich was elected President of Ukraine. International observers did not claim the election was unfair. As an Eastern Ukrainian with sympathies for Russia in 2014 the President rejected the draft EU Association Agreement and opted for closer ties with Russia. This was highly contentious in western Ukraine and led to protests. Some think the EU and the US encouraged the protesters, leading to the resignation of a President who could no longer keep control. His replacement led Ukraine to an EU tie up. Russia sent in troops to Crimea, took control with no resistance and held a referendum. They claimed 97% support for their takeover on an 83% turnout. There were no western observers or audit of this result, and the two choices did not include the old status quo. Subsequent independent opinion polls have shown a high level of support for the results of the referendum anyway, just as independent polls before the annexation showed majority support for closer links with Russia.

Western policy has failed towards Ukraine. The UN did on a majority vote condemn the Russian actions and called for the restoration of Crimea to Ukraine, The Western powers rightly did not seek to claim Crimea back by military intervention. To this day they have said Crimea should be returned but have ruled out military involvement. It would kill too many people, and it would be difficult to impose Kiev and EU rule on many people of Russian origin in Crimea who prefer Russian rule.

All this is topical again because some other parts of Eastern Ukraine are in revolt against Kiev rule and have sympathies for Russia. Russian troops have been massed on the frontiers. The West led by President Biden has told Russia not to invade and has threatened penal sanctions were they to do so. What is

clearly needed is a political solution in Eastern Ukraine that works for its people. The eastern voters have little chance of winning an countrywide election in Ukraine any more, unlike 2010, because their numbers have ben reduced by the loss of Crimea.

Ukraine is the political battleground between EU and Russian influences in Eastern Europe. The EU and US misjudged the situation badly in Crimea when they pressed the EU Association Agreement against the wishes of the then President and lost a part of the country. They need to be careful not to misjudge again.

Importing electricity

Some contributors asked me to say more about our growing import dependence. The UK has been a net importer of electricity since the second quarter of 2010. In the last century we had a policy of security of supply and national self sufficiency. The latest government quarterly report for the third quarter of 2021 stated that the net imports of 7.6TWh for that period was the "highest value ever". Imports reached 8.4 TWh whilst exports were 0.8 TWh. Our main exports are to Ireland which took 0.8TWh over the three months. The biggest single source of imported power is France, followed by the Netherlands. One of the reasons for the increase in imports was the poor performance of wind power.

Scotland which usually supplies substantial power into England from its large windfarms supplied 50% less in the third quarter. Scottish wind farms are given priority to supply when they are up and running, taking precedence over England based gas plants in accordance with the decarbonisation policy.

Fuel imports from the EU rose by 50% in the third quarter on a small base and imports from the rest of the world rose by 34% on a larger base. The UK also exported some fuel to the EU over that time period.

There is no evidence to support the proposition that the UK has a good business exporting wind based energy to the continent at scale when the wind blows well. The French system is usually well supplied by nuclear power, whilst continental wind farms also tend to do well when the wind is blowing across northern Europe as a whole. The danger is when there is plenty of wind market prices for surplus power are often low.

So the questions to ask are

1. Why have we allowed ourselves to become so dependent on imported electricity from Europe, when the continent is short of gas and oil, wishing to close down its coal activities and dependent on Russian gas? What are the prospects for French nuclear given the age of the fleet and the high replacement costs and delays in construction?

2. How central is security of supply in policy formation?
 3. What is the relative cost of wind power and gas generated electricity given the need for more back up power for wind provision and adjusting for priority access to customers afforded to wind power?
 4. When could we become a serious exporter of electricity making a profit from the transaction in the way some argue we could?
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How much renewable power does the UK now produce?

The latest quarterly government figures for energy output and use relate to the third quarter of 2021. It is true this was a poor quarter for wind and solar output of electricity, but it is worthwhile looking at what happened as this was an actual outturn after huge investment in renewables. Whilst it was unfortunate that the wind did not blow much and the sun did not shine much, it was also quite a mild period meaning the system was not fully stretched by high demand which would have been met from fossil fuels.

The Business Department Report says "Output from wind, solar and hydro was low due to prevailing weather conditions" . "Unfavourable weather conditions meant that renewable generation fell to 24.3TWh, the lowest value in four years... Wind was particularly affected , down 30% on the same period last year"

The renewables figure they cite for output includes a substantial contribution from biomass or wood pellet. Wind only delivered 15.1% of our total electricity for the quarter, solar 6.2%, with hydro at just 1%. This makes a total of 22.3% from renewables for the whole three month period , under one quarter of our needs. This should put into context the claims of those who say wind is now providing the answer.

All three remaining coal power stations had to be brought into use, with a 155% increase in coal based power on a low base. Overall coal imports rose 18%.

The policy furthered the trend of making us more and more dependent on imports. In the case of coal most is now imported. 48% of the imports came from Russia. Primary oils demand rose by 14% largely met from imports. Domestic gas production was down by 11% also increasing dependence on foreign energy.

In 2021 the UK ran down its stocks of oil following a change in the stockholding protocol in January. The policy of closing gas storage is now being mirrored with the run down of oil stocks, further undermining our energy resilience as a country.

The Business Department needs to turn its attention to replacing more of these imports with UK energy. The National Security Council should be concerned about our growing reliance on the goodwill of foreigners when Europe as a whole is short of energy and when Russia intends to use its dominant positions in gas and coal as part of its diplomatic leverage.