

## If gas is dear you need more of it or a better alternative

The Business Secretary was the Energy Minister, and is now the boss of the Energy Minister. His disagreements with the Treasury over whether he can offer any subsidy to hard pressed manufacturers need not prevent him helping the energy using industries very directly. He should invite them in with the gas supply industry and the UK gas producers and discuss how going forward the UK can produce more domestic gas to reduce our reliance on erratic and currently very expensive imported energy.

An industrial user of gas that needs plenty at a competitive price to make steel or glass or paper or ceramics wants some reassurance that going forward they can obtain enough gas at sensible prices to be able to keep their customers. If the government allowed the UK gas industry to find, produce and deliver more of the gas that is available in our islands and seas they could offer more long term contract gas to domestic industry on sensible terms.

The Minister could explain to the green lobby that this is a greener answer as well. It makes little sense to bring gas compressed by use of energy around the world in large tankers needing a lot of diesel to power them to our shores, when local gas could pass down a pipe for a fraction of the power needed for the import. If something is too dear you either need more of it or a substitute. There may be other ways of making steel and paper in due course, but for the time being if we want to save our industries they need cheaper gas.

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## James Bond and today's UK

I was gripped by the latest James Bond movie through its action packed twists of plot.

The film is a statement to the world that UK derived brands and cultural icons can fill cinema seats and entertain millions in many different cultures and countries. I wish it commercial success as it helps the traditional cinema revive after lockdown.

What kind of image of the UK does it project? Whilst viewers would be wise to see it as drama not documentary and will appreciate many of the unrealistic conventions of the 007 genre, there will be those who take away a message about the UK from it.

I was surprised to be warned that the film contained moderate violence. There didn't seem to be anything moderate about a series of mass murders, mass

sanctioned deaths of arms carrying criminals, the use of explosives to enter and control populated buildings and missile strikes on an inhabited island. The story centred as before around the actions of the UK secret services on the world stage. The Head of the service was happy to authorise killings anywhere in the world in pursuit of dangerous global criminals. There was no reference to the National Security Council and only once was it thought a good idea to mention to the PM some of what they were doing. So it was clearly not a representation of the legal process, rule of law and democratic controls that apply.

Leaving aside the unrealistic idea that officials in the UK can authorise machine gun fights and dangerous car pursuits leading to the death of drivers in overseas countries, the film gave a very positive view of the UK in three crucial respects. The senior officials were very loyal to our country. Our country stands for right and the defeat of evil worldwide criminal gangs throughout the movie. The officials could summon up precise force, equipment and clever innovations to win any war against a criminal gang however violent and resourceful they might be. Whether it was in Scandinavia or near Japan, people could be quickly deployed. What's not to like, unless you are a criminal.

Just as the film overdid the lack of legal restraints on UK counter action, so I fear it flattered government in its portrait of speed, resource and innovation. Let us hope our senior officials study the brave and inventive officials we see in the drama to see how we can increase our success in the struggle against violent serious global criminals within the rule of law.

In many ways the cars were the stars. Aston Martin emerged victorious, though its vintage vehicles got lead roles and its latest machine a bit part. Range Rover was present in force. Shrewd product placement should help some UK brands in a competitive luxury market. One of our naval Destroyers also appeared in action, reminding the world that the navy gives us the capability to intervene anywhere where there is a sea to sail.

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## Inflation

The main Central Banks of the world have been very relaxed about inflation. They have all argued that as lockdowns end there will be a brief uptick in inflation, which will then subside. The USA has been particularly strong on this view and has continued with massive dollar creation as well as ultra low interest rates to promote a stronger and quicker recovery. I have always thought they were overdoing it. The ECB has also persevered with a massive Euro creation programme, against more deflationary pressures in the deficit countries. It is having the predictable inflationary effect on the German economy whilst supplying some boost to the usually sluggish Italian one. The UK authorities started reining in earlier than the others and run the risk

of slowing growth too much. As a very import dependent economy the UK will import a lot of inflation from the others unless sterling strengthens more.

Some at The ECB and Fed and the Bank of England economist are now saying that maybe inflation is going to go higher and last longer than their institutions have been saying. There is a surprise! What did they expect given the volume of dollars the Fed decided to tip into the system? What should Germany expect given the scale of Euro creation going on? The UK has to beware that fuel inflation is going to be fast thanks to the unacceptable reliance on imported and spot market energy. There will be wage growth as the UK sorts out years of low pay in areas from farming through driving to catering where wages were kept down by many migrants arriving to take the jobs. We face higher bills for transport, home heating and a range of goods that rely on gas for their manufacture.

The UK needs to work away at reducing its dependence on imports in general, and on imports with highly volatile day to day prices in particular. We have just seen a wild swing in the price of timber, where we import so much of what we need for housebuilding, for biomass power stations and for furniture. Given the passion to grow more trees, why dont we produce more of our own? We have just had to import a large amount of very expensive gas to combat a shortage of wind in our power system. It makes little sense to pay top prices for imported LNG, dragged around the world in diesel guzzling tankers when we could supply more of our own under long term sensibly priced contracts. Why do we not put in more gas storage while we are about it, so we can draw on stocks for any temporary high price shock?

The main Central Banks have talked themselves into a corner. If they now think they were too blase about inflation, they need to make sure their adjustments to the amount of money they create is not at the same time allied to rises in rates as this would likely tip economies into stagflation or even into recession. It's a tricky path. The Fed has most to do to decelerate from a very inflationary stance. The ECB has more excuse to wean itself off money creation more gently, as the southern economies are more sluggish. It will leave Germany suffering from a nasty inflation, needing to buy in a lot of foreign fossil fuel to keep the factories turning. The Bank of England has already announced an end to money creation.

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## [My interview with GB News](#)

I was interviewed today by Alastair Stewart about energy policy:

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## Dame Lucy sees the need to help

I was thinking it has been a poor time for leaks, when to my surprise the following intercepted memo appeared anonymously in my inbox. It appears by keeping a low profile during turbulent Brexit times Dame Lucy has survived in the Cabinet Office.

From Head of Cabinet Office Post Brexit renewal unit

To Professor Redmayne, Professor of European inequalities

Dear Karl

I need your advice to assist me in presenting to Ministers on how to tackle various supply chain and labour market issues which you will have seen in the media. As you will appreciate I worked very closely with the previous government to try to secure an Agreement with the EU that captured and retained all EU law and our single market obligations. This was in accordance with the then Prime Minister's wishes to replicate many of the features of our membership to avoid changes and shocks. This work was altered by the change of Prime Minister in 2019 and by Parliament's unwillingness to vote for the comprehensive partnership we had secured.

As the head of the new Post Brexit Renewal unit I need to give advice on how the government should behave towards the full body of EU law that is now on our Statute books, and how we should negotiate if at all on the Northern Ireland Protocol and the transition over fishing. Looking at the situation it seems to me I need to point out that the UK does now rely on imports for some of its electricity and fuel, that it needs to respect EU law under the NI Protocol and should not be dogmatic about fish given the passionate concerns the French have about this minor industry. The government needs to understand the power of the EU and the legal realities of the position they find themselves in.

It would be most helpful if as an external independent expert you could let me have background on the extent that the UK will need imported food and fuel over the next few years. A study of relative regional imbalances in EU countries and the UK would be topical given the debate here about levelling up. If it is your continued view that freedom of movement of workers and adherence to the common fishing, energy and farming policies and standards is best for the UK it would be good to have the case set out. I would expect you to have the contacts in and references from larger European companies who would take this sensible view.

There is a strand of Brexit commentary taking hold that thinks paying people at home more to take jobs that would otherwise go to continentals coming here under freedom of movement would be a good idea. They are also keen to rebuild domestic capacity in everything from food to fish and from energy to technology. Your help in explaining the difficulties and theoretical problems with this approach would also be a useful balance to the debate.

Some Ministers think there are easy Brexit wins from changing laws and cutting taxes like VAT on various products. We need to present the case against a race to the bottom and set out the balance set by the growing body of EU law designed to protect the single market and European values. They do not seem to understand that it makes sense to import more food, cars, energy and other items in a spirit of European solidarity, and to welcome EU workers here.

Given the prestige of your department and the important work it does I am sure we can come to some agreement on the scope and reward for this study that a Minister will approve. I will draft it around the twin themes of levelling up and post Brexit policy. I note that the Health department has recently agreed a study mainly of health inequalities when the Treasury wanted a simple attack on waste in the NHS.

Yours

Dame Lucy Dolittle