

# EMERGENCY ENERGY PLAN



**SOLVING THE PRICE & SUPPLY CRISIS**

**AUGUST 2022**



# **SUMMARY - REFORM UK SOLUTION IN GLOBAL ENERGY WAR**



## **GRAVEST ENERGY CRISIS IN LIVING MEMORY**

- ❑ **GLOBAL ENERGY WAR - could continue for years**
  - Centre of crisis is Western Europe & many nations in desperate scramble for energy - like PPE crisis
  - UK Energy market not fit for purpose - Decade & of failure by politicians and others
  
- ❑ **REFORM UK SOLUTION CAN PREVENT NATIONAL CRISIS:**
  - Stop 1,000s elderly & vulnerable dying this winter of cold & hunger
  - Stop millions defaulting on energy bills
  - Stop 100,000 + small firms going bust
  - Stop 500,000 + jobs being lost
  - Reduce inflation & so reduce pressure to raise interest rates too far
  - Will solve supply crisis over medium term
  
- ❑ **FORCE MAJEURE - warlike situation & Government must declare that Force Majeure exists in failed UK energy market**
  
- ❑ **IN ENERGY WAR: GOVERNMENT MUST TAKE CONTROL OF UK ENERGY PRODUCTION PRICING**



## CRISIS OF SUPPLY & PRICE



### PLAN FOR WORST, PREPARE FOR BETTER

#### Crisis of Supply

- Serious risk of rationing of gas and electricity this winter
- No real increase in supply expected for 3 years plus
- Should assume no Russian gas available to Europe
- Even if Ukraine war ends, likely Putin will not reopen gas taps as can see pain it causes Western Europe
- No headroom for breakdowns or severe cold, windless, winter spell

#### Crisis of Price

- Serious risk of millions unable to pay bills as gas & electricity prices soar
- From Oct 21, in 12 months prices risen by almost 300% from £1,277 per household to approx £3,700
- Forecast for Jan 23 over £4,400, perhaps £5,500 by April 23
- This is not temporary whilst supply crisis continues

#### URGENT – situation totally unsustainable

- NEED Immediate stable price solution
- NEED Medium term supply plan



## CAUSE OF UK SUPPLY CRISIS



### ❑ STRATEGIC ERRORS

- Increasing reliance on imported electricity: up 400% from 2010 to 2021
- Increasing reliance on imported gas: up 25% since 2014, much of it by Liquefied Natural Gas ( LNG ) in specialist ships
- Lower UK gas production: down 43% since 2010
- UK nuclear & fossil fuel generating capacity down over 30% since 2010 - power stations closed with no replacements
- Underestimating mechanical failures:
- Risk of France unable to supply UK due to their own reduced capacity as nuclear power stations shutting with maintenance issues; they may need to buy from UK instead
- Risk of Norway unable to supply UK with electricity due to own shortages
- Risk of other breakdowns - Sods Law

### ❑ TOTALLY UNNECESSARY

- Have vast resources energy treasure in UK under our feet and under our seas - owned by us all
- North Sea oil & gas, onshore shale gas, coal
- Could have been totally self reliant (like 1980s to 2000s) thus barely exposed to this global energy crisis
- Must correct but will take 5-10 years

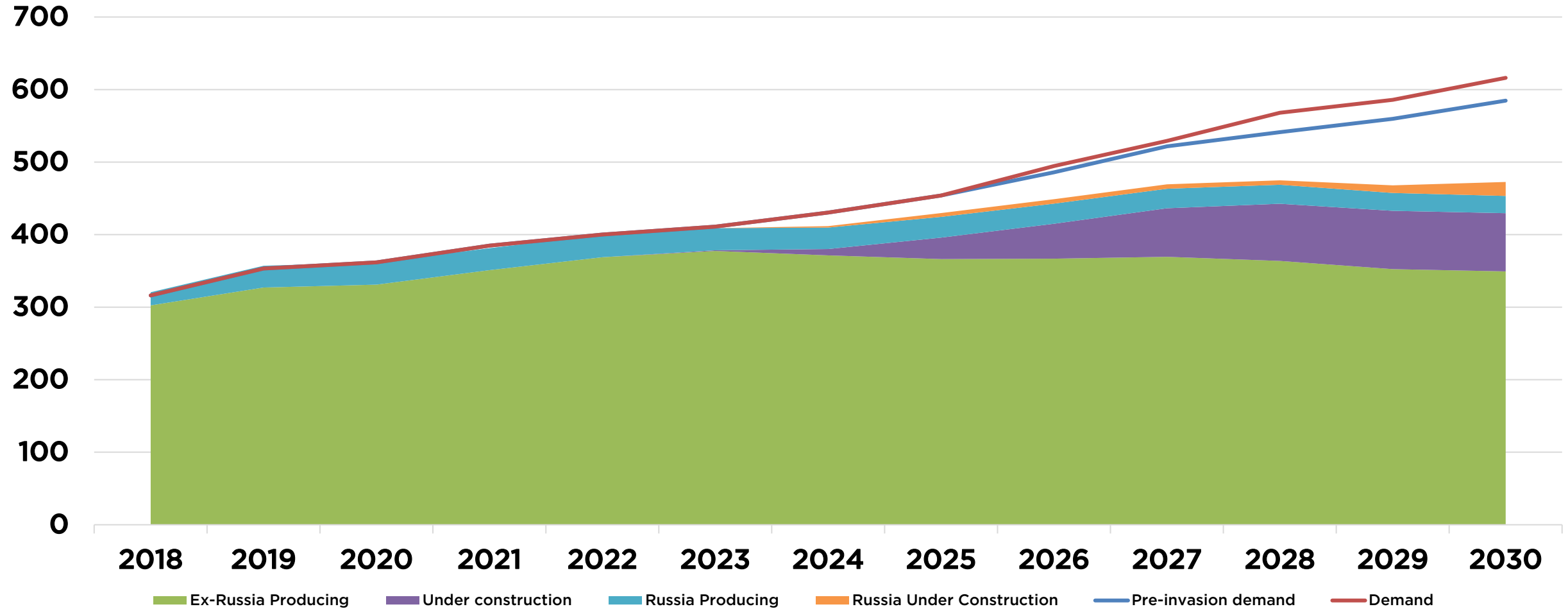
Sources: Statista and BEIS data



# GLOBAL GAS SUPPLY CONSTRAINT



## GLOBAL LIQUIFIED NATURAL GAS SUPPLY AND DEMAND OUTLOOK



Source: Rystad Energy, GasMarketCube, Rystad Energy Research and Analysis



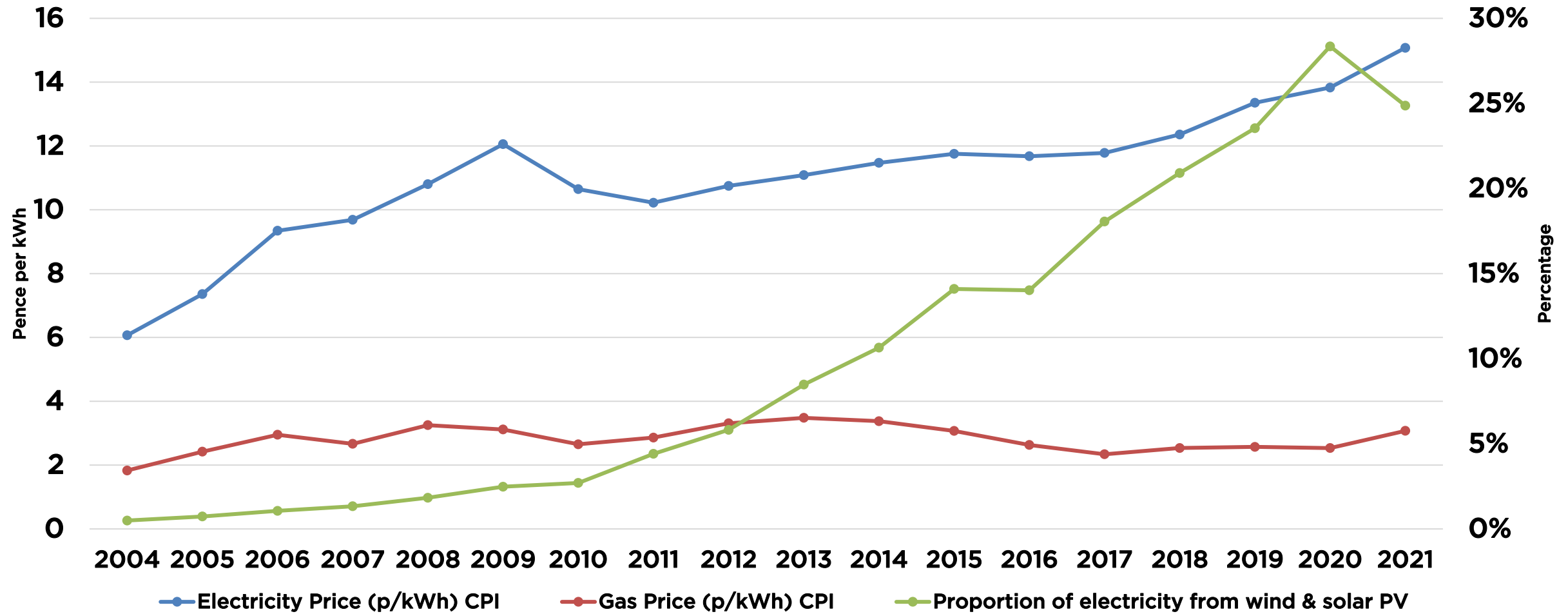
## CAUSE OF UK PRICE CRISIS



### ❑ PRICE CRISIS

- UK already had expensive electricity pre-Ukraine War
- Renewables with inflation linked subsidies main cause electricity price rising 9% pa 2004 to 2021
- Renewable Subsidies now over £10 billion pa
- Renewable extra network transmission costs connecting to grid now over £5 billion pa
- Totals some £500 per household directly & indirectly via businesses
- Extra cost of having back up gas generating capacity when renewables unavailable: ie wind does not blow
- Gas price stable for this 17-year period until late 2021, when risk of Russian invasion dramatically increased price
- Flaws in UK energy market pricing structure

## RENEWABLES MADE ELECTRICITY EXPENSIVE



Source: Electricity & gas prices - Quarterly Energy Prices (QEP), Table 3.4.1: Average for all non-domestic consumers, prices in pence per kWh - DUKES database



## TORY GOVERNMENT SOLUTION



### NO SHORT-TERM PLAN

- Just reactive, begrudging domestic handouts - no help for business
- Covers months not years
- Too slow - no recognition of fear amongst population

### NO MEDIUM-TERM SUPPLY PLAN

- No confidence that understand urgent & strategic nature of supply problem
- No recognition of local planning constraints, need national solution
- Not enough recognition that must use UK shale gas treasure under our feet & North Sea resources





## LABOUR AND LIB DEM SOLUTIONS



### ❑ SHORT-TERM PRICE RELATED

- Just reactive domestic handouts - no help for business
- Covers months not years
- No recognition of supply crisis
  
- FREEZE CAP SUBSIDY = £60 bn pa @£4,000 actual level for domestic, no help for businesses  
= £90 bn pa @ £5,000 actual level for domestic, no help for businesses  
= £250 bn to £500 bn if lasts 3- 5 years - clearly unsustainable  
= Businesses either go bust or raise prices = more inflation

### ❑ NO MEDIUM-TERM SUPPLY PLAN

- No confidence that understand strategic nature of supply problem
- No recognition of local planning constraints, need national solution
- No recognition that must use UK shale gas treasure under our feet & North Sea resources
- No recognition that medium term windfall taxes will reduce investment in UK, accentuate own supply problem



## **REFORM UK PRICE SOLUTION - BOLD & RADICAL**



### **❑ DECLARE FORCE MAJEURE SITUATION**

- Warlike situation requires wartime response
- Energy market no longer fit for purpose

### **❑ IN ENERGY WAR: GOVT MUST TAKE CONTROL OF UK ENERGY PRODUCTION PRICING**

- UK energy producers obliged to sell to UK suppliers at 2021 average price or be nationalised
- Domestic cap returned to circa £1,750 per year
- Business cap at circa 35 pence per kwh
- Extra help still required for most vulnerable
- Exists until normal market conditions return
- Still exposed to global prices for circa 50% of gas needs, so approx 20% of total UK energy production



## REFORM UK SUPPLY SOLUTION - BOLD & RADICAL



- ❑ **MORE SUPPLY = LOWER PRICES**
- ❑ **“NATIONAL PLANNING, LOCAL COMPENSATION” regime to accelerate new gas and nuclear supplies**
  - Unlock Shale Gas Treasure: £1 trillion + of levelling up, by drilling down
  - Accelerate gas & oil exploration in North Sea
  - Build High Efficiency Combined Cycle Gas Turbines
  - Accelerate latest Small Modular nuclear reactors
  - No more subsidized renewables - unreliable & expensive
- ❑ **Scrap windfall tax to motivate extra accelerated investment in new gas & nuclear supplies**
- ❑ **TIMEFRAME - to be energy self reliant**
  - Improvements start after minimum 3 years
  - Total resolution takes 7- 10 years



## **SUMMARY - REFORM UK SOLUTION IN GLOBAL ENERGY WAR**



- ❑ **FORCE MAJEURE exists - UK Energy market not fit for purpose in global energy war**
  
- ❑ **IN ENERGY WAR: GOVT MUST TAKE CONTROL OF UK ENERGY PRODUCTION PRICING**
  - UK energy producers obliged to sell to UK suppliers at 2021 average price or be nationalised
  - Domestic cap returned to circa £1,750 per year
  - Business cap at circa 35 pence per kwh
  - Extra help for vulnerable
  - Exists until normal market conditions return
  - National planning regime with local compensation to solve supply crisis over 3-10 years
  - Scrap the windfall tax to motivate industry investment
  
- ❑ **PREVENTS NATIONAL CRISIS**
  - Elderly and vulnerable protected
  - Consumers protected
  - Businesses protected
  - Jobs protected
  - Reduces inflation & so reduces pressure to raise interest rates too far
  - Will solve supply crisis over medium term

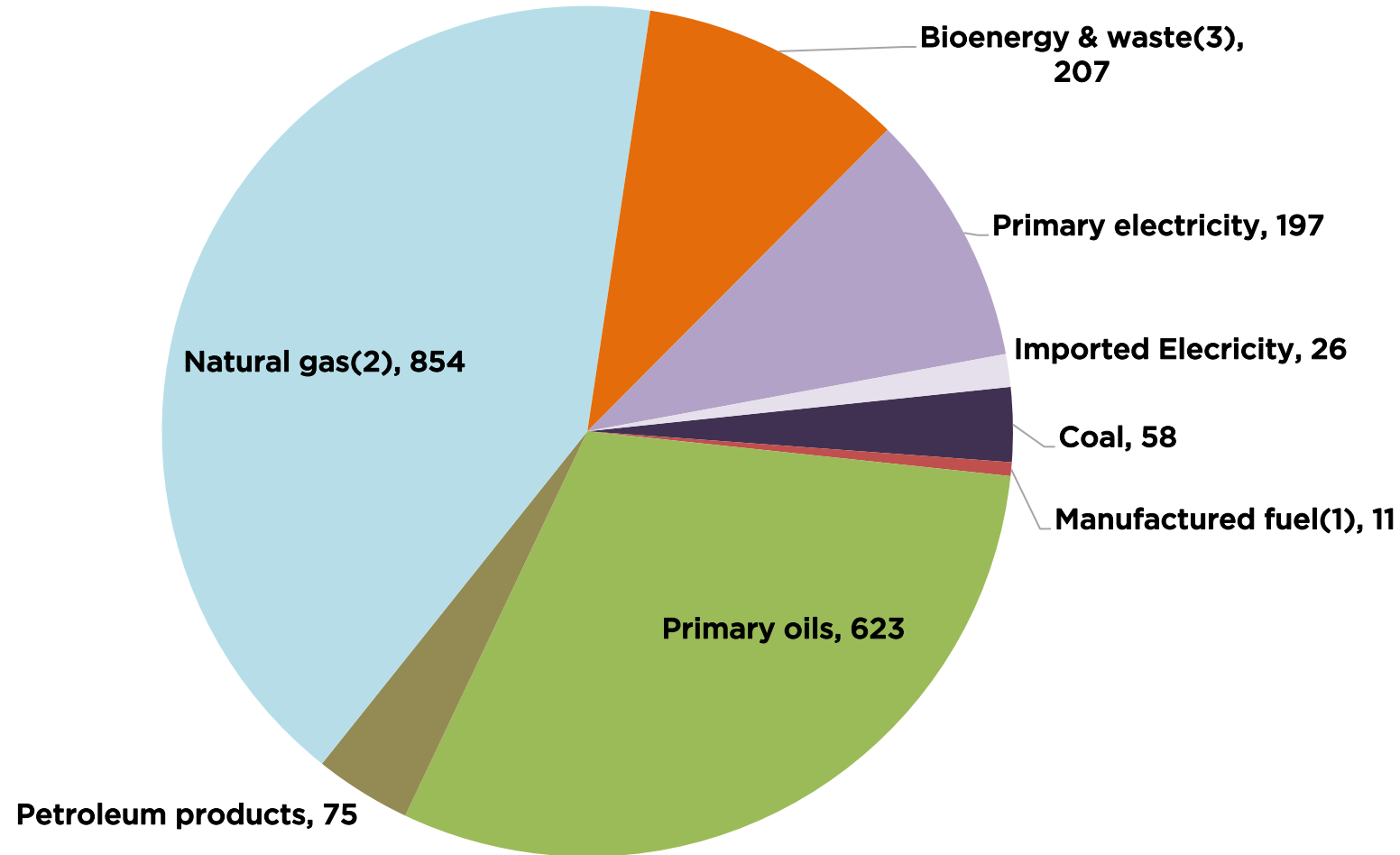


## APPENDICES - ALL UK GOVT DATA



- ❑ **The Digest of United Kingdom Energy Statistics (DUKES) is the annual energy statistics publication produced by Department for Business, Energy and Industrial Strategy. It provides a detailed and comprehensive picture on the production and consumption of individual fuels and of energy as a whole.**

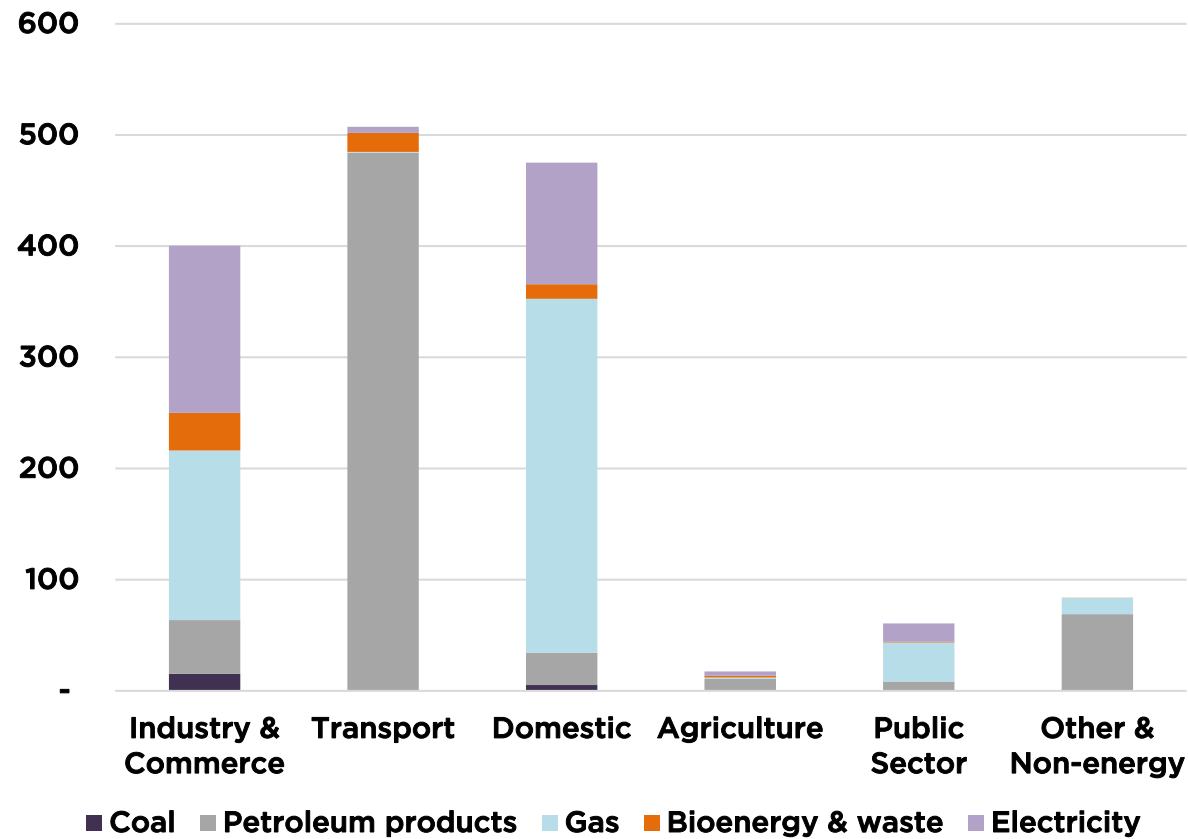
## UK Primary Energy 2021 By Fuel (TWh)



- Primary Energy is before fossil to electricity conversion.
- Primary electricity is wind, solar, nuclear.

Source: DUKES 2021 Data

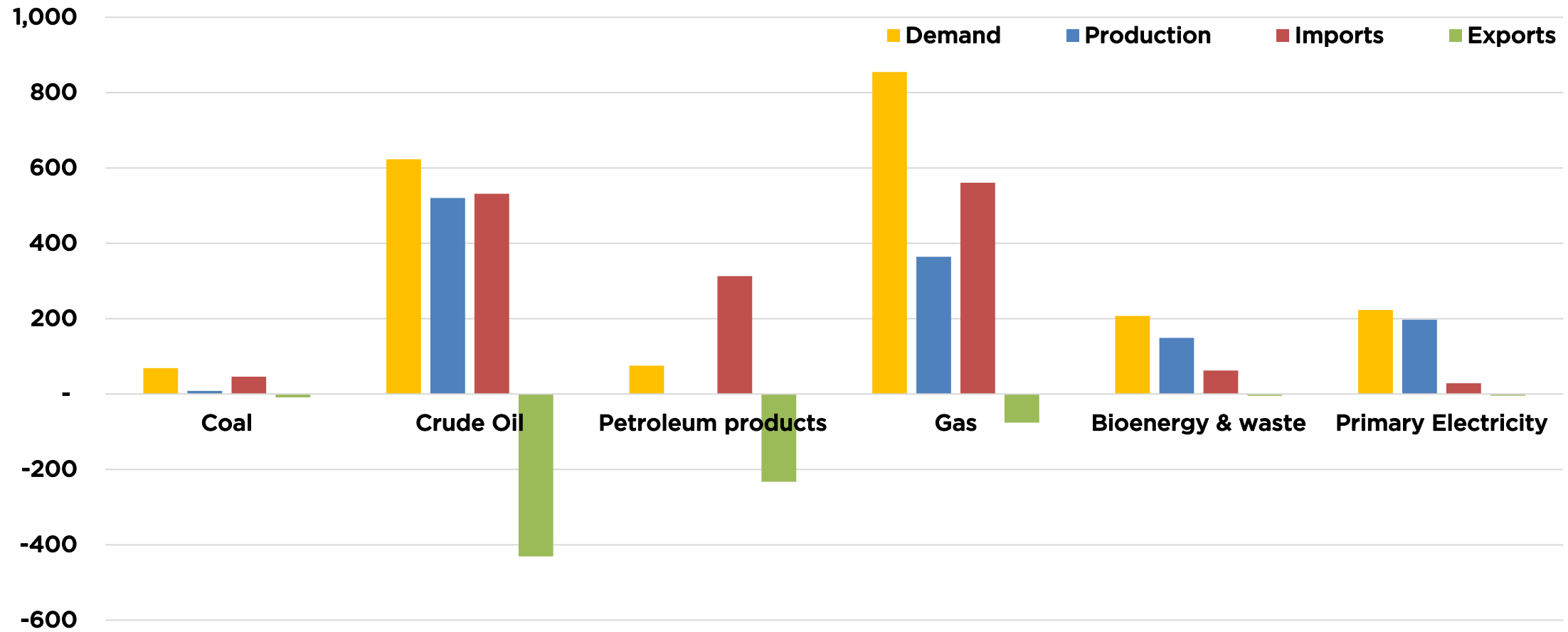
## UK 2021 Energy Use by Fuel by Sector (TWh)



- Electricity includes primary plus fossil generated (414 TWh of fossil consumed, 254 TWh being gas)
- Gas used predominantly for heat. 15TWh of non-energy gas for fertiliser manufacture etc.

Source: DUKES 2021 Data

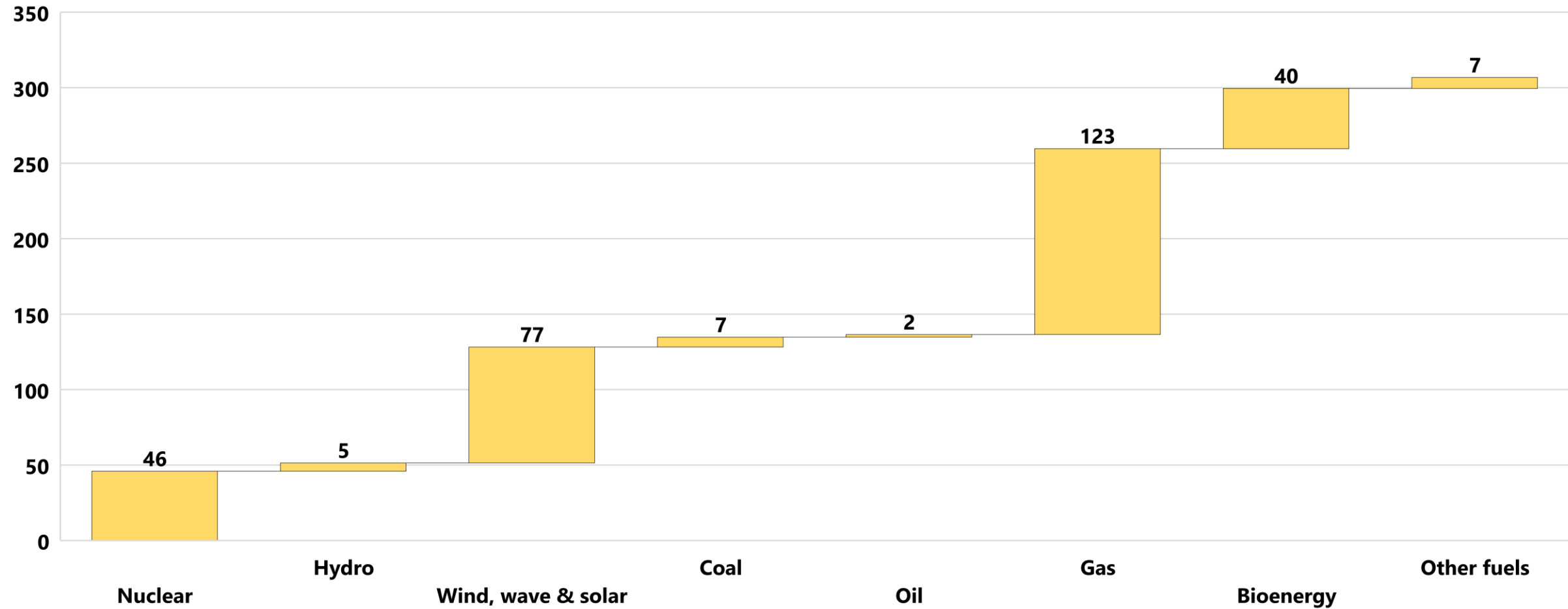
## UK 2021 Energy Production By Fuel



Source: DUKES 2021 Data

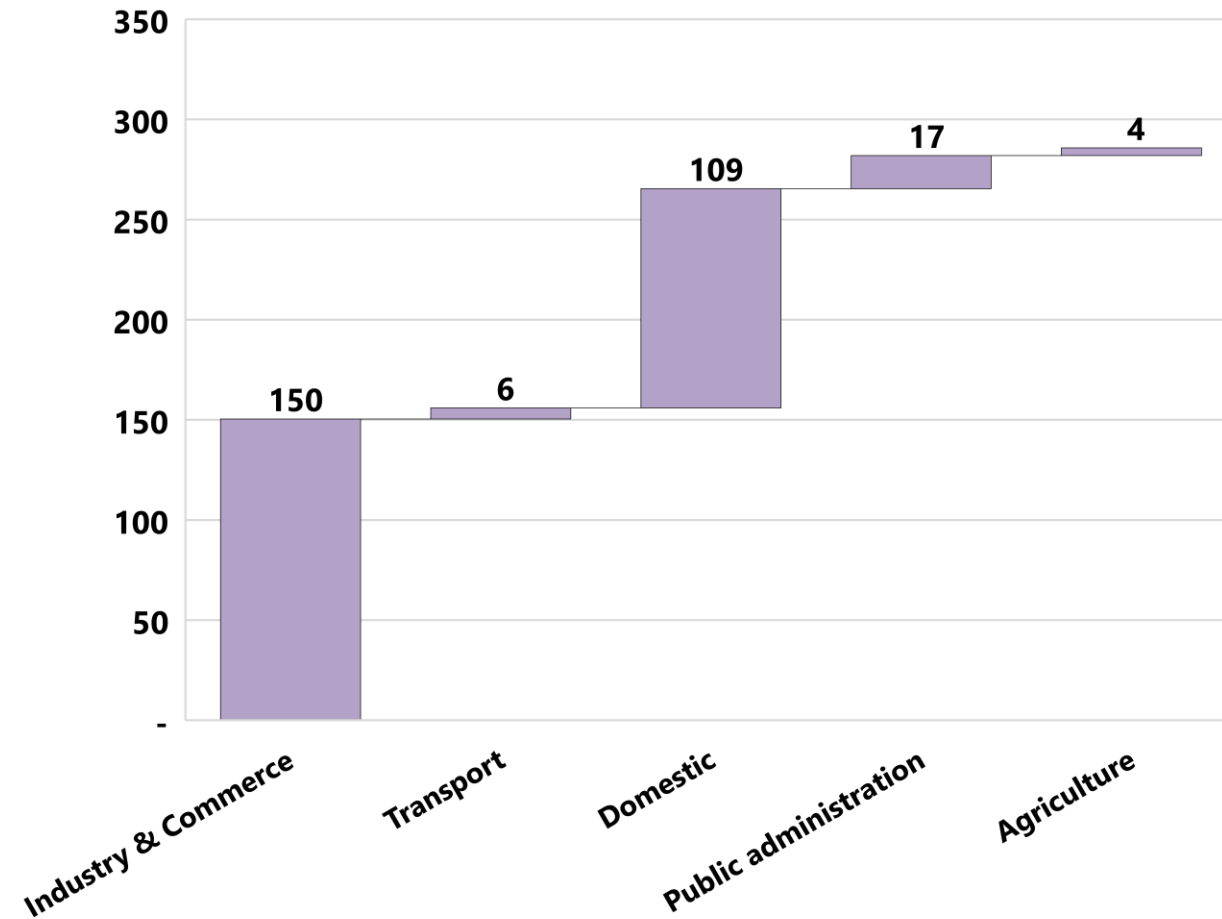


## UK Electricity Generation By Source (TWh)



Source: DUKES 2021 Data

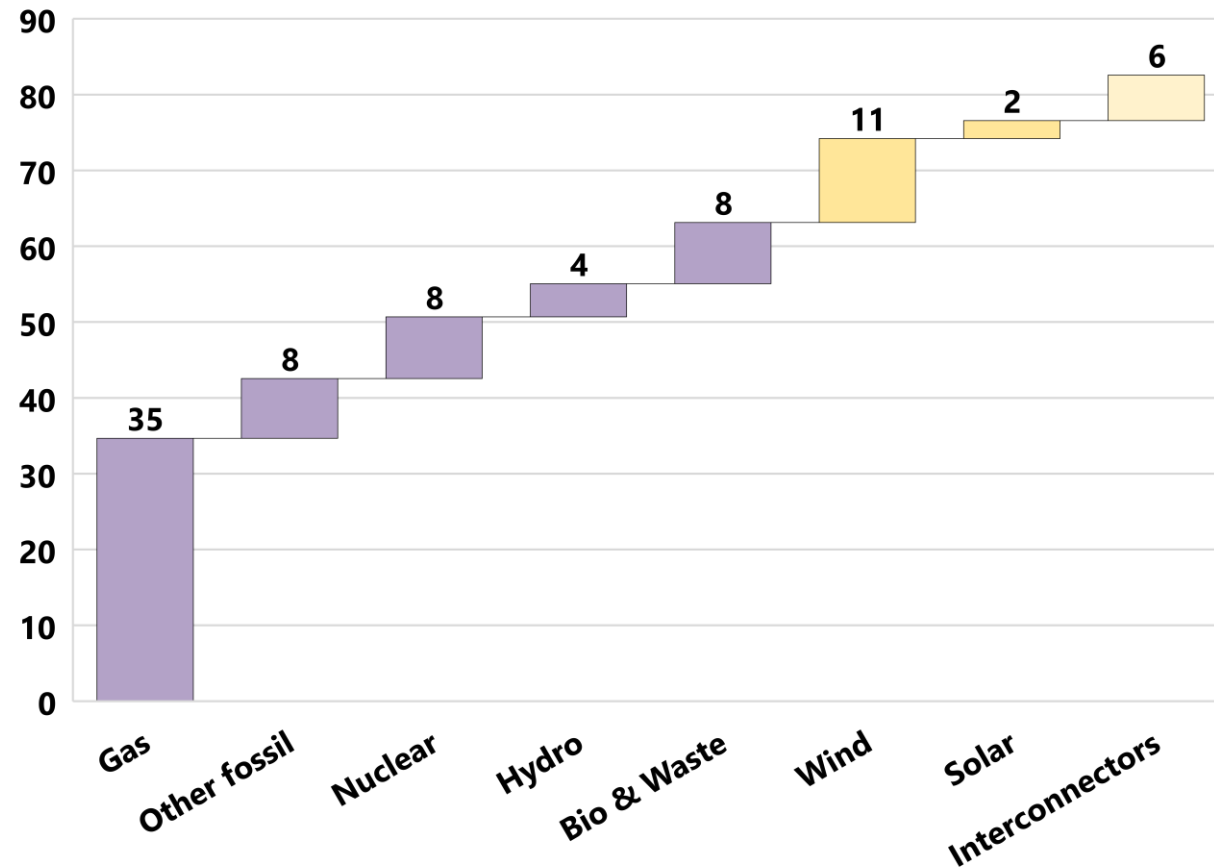
## UK Electricity Consumption 2021 By Sector (TWh)



- Domestic is approx 38% of total demand
- These are annual figures. Some domestic demand does not compete with industrial / commercial demand.
- Average demand 33GW
- Peak demand is around 50GW

Source: DUKES 2021 Data

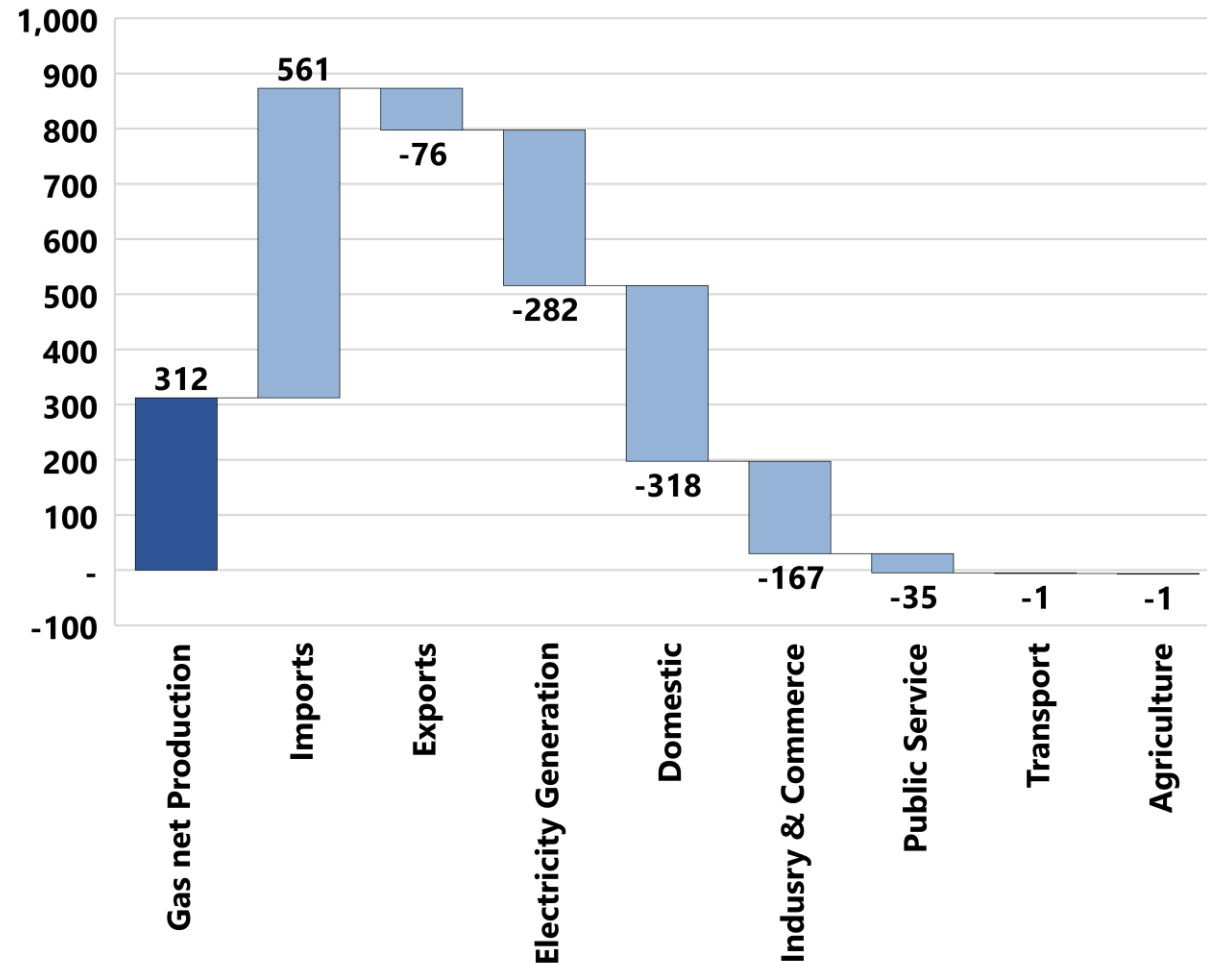
## UK Generating Capacity By Source (GW)



- Availability of wind, solar and interconnectors uncertain.
- Interconnectors include 1 GW to Ireland and Northern Ireland (which is part of Irish grid system)
- Gas is 42% of generation, rising to 50% on still night (55% if no interconnector)
- At 50GW peak a sensible capacity margin depends on high plant availability

Source: DUKES 2021 Data

## UK Gas Production and Consumption 2021 (TWh)



Source: DUKES 2021 Data

- Exports to Ireland, Netherlands and Belgium.
- LNG import from Russia was 34 TWh, approx. 3% of UK demand.
- 2021 production low due covid and some major maintenance delays. Over past ten years has been 400 to 450 TWh.
- Production covers electricity generation requirement.
- Industry includes gas for fertiliser production.



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