



PGES

All-Party Parliamentary Group
for Energy Studies
Founded in 1980

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PGES Energy Policy Priorities for Net Zero

Energy is fundamental to the way we live our lives at work, at home and at leisure. Recent global pressures have changed the way we think of energy: availability has reduced and prices have risen threefold since 2020 - consumers are now concerned about being able to pay their bills, as well as worrying about the environmental impact of energy production.

A comprehensive, ambitious plan is needed with clear goals, milestones and deliverables, setting out the route towards meeting our carbon targets, as well as how consumers can manage their costs.

- 1. Make a plan, commit to the plan, stick to the plan and bind successors to the plan:** A plan for the short, medium and long term is needed, with clear signals for industry to invest in projects that take longer than a single parliament. Secure all-party collaboration to create legislation that encourages enduring solutions, using a national framework to encourage and empower effective local and regional energy plans.
- 2. Education and participation:** Consumers and legislators need to understand what energy they need, want or use. Policy for demand reduction needs to be separated from fuel poverty - heating and eating must be affordable for all.
- 3. The Energy Trilemma:** The energy trilemma has not gone away, all three arms need attention: affordability, availability and sustainability must be balanced through the energy transition.
- 4. Market design whole system and operation:** Markets and technology change much more quickly than policy. Regulatory and policy harmonisation is needed to ensure the opportunities of the transition are maximised and the risks minimised.
- 5. Social burden:** The cost of decarbonising energy should be borne through bills, but protections for the fuel poor (eg a social tariff or VAT relief) should be funded through general taxation. High energy costs mean the long-term focus to reduce bills should be on consumption, not price. Reforms to Building Regulations are needed to improve building stock.
- 6. Future of gas:** Timetabled decisions must be made regarding the future of gas and its potential as an energy vector to balance electricity supply/demand, the steps needed to phase out its use **or** carbon content.
- 7. Energy as a consumer activity:** Energy is everyone's problem, so a national level strategy is vital, but there is no one-size-fits all: local needs must be met. These vary across the regions of the country and need a variety of approaches. reinforcing local initiatives. Set targets to with a focus on behavioural change and results, and avoid picking winners.
- 8. Investment:** Make "no regrets" investments now as finance is available, but needs consistent policy to unlock it. Support anticipatory investments in key energy infrastructure.

To avoid sleepwalking into disaster, PGES recommends action now: 2030 is only eight years away. Do not let pursuit of the perfect stand in the way of the good.

Officers

Alan Brown MP; Douglas Chapman MP, Sir Christopher Chope MP,
Julie Elliott MP; Jim Shannon MP, Taiwo Owatemi MP,
Alexander Stafford MP
Lord Duncan of Springbank, The Rt Hon Lord Hunt of Kings Heath OBE;
Lord Ravensdale; Lord Redesdale, Lord Teverson





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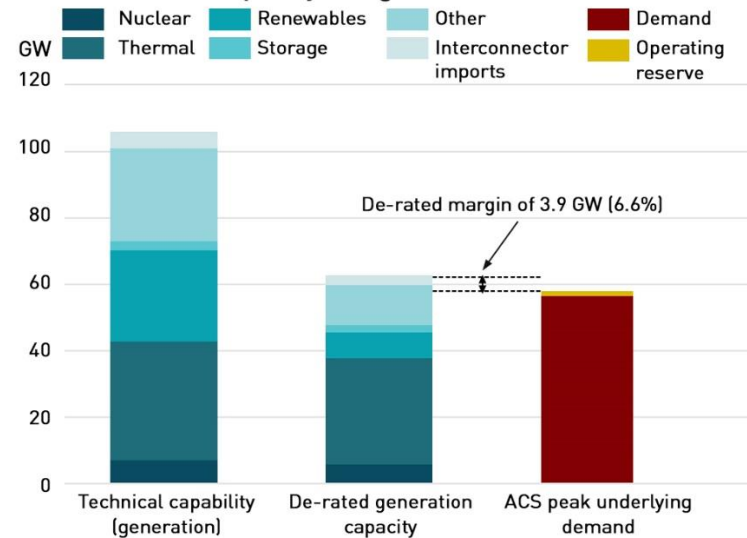
Short term policy actions (immediate)

With high levels of fuel poverty expected this winter, consumers will need support to manage high costs, with advice on demand reduction as well as financial assistance.

There is a real threat to security of electricity supplies this winter with industrial rationing likely: last winter the de-rated capacity margin was 3.9 GW. Since then

- almost 4 GW of nuclear and coal capacity has closed
- widespread problems with the French nuclear fleet mean instead of importing 3 GW from France we may be exporting 3 GW – a net impact of up to 6 GW
- low Norwegian hydro levels risk the 1.4 GW import potential from Norway

Winter 2021/22 capacity margin



Source: National Grid

Urgent actions are needed to address these challenges:

- To counter immediate risk to security of supply, the Government has delayed the closure of 2 GW of coal this winter. Should we seek to keep the remaining coal plants on the system until Hinkley Point C opens? Should the Government also act to restore the two mothballed Calon CCGTs which could potentially support the system this winter?
- To counter high energy costs should we give VAT relief on domestic energy for the fuel poor who are less able to reduce demand without self-harm (no-one should have to choose between heating and eating)? Should we introduce a social tariff to replace the price cap?
- To counter social inequalities, we should remove the cost burden for pre-paid meters.
- To support longer-term goals can we enable no regrets investments now:
 - blend 20% hydrogen into the gas grid to create a hydrogen market and reduce CO₂ content
 - streamline planning processes to support increased / faster offshore wind connections
 - invest in electricity network expansion to reduce current high levels of transmission congestion and reform the network price controls to support more anticipatory investments
 - take action to reduce energy waste - in production, in distribution and in consumption, and enable demand reduction to be better rewarded when overall system demand is high

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Medium term policy actions

Urgent action is needed to reduce energy waste in buildings. An effective policy will take time to deliver but work should begin now to create the necessary frameworks. Experience shows rushed decisions have poor results and fail to deliver value for money. Building Regulations must be reformed:

- Mandate the application of Building Regulations at change of occupancy or use
- Mandate the installation of smart meters in every new home and that heating/cooling in every room can be independently controlled with simple interfaces
- Mandate solar generation on every new build (or extended) roof, and the installation of pipework and stored hot water in new homes to enable heat pump installation (with appropriate exemptions eg for tower blocks)
- Modify the EPC to remove the heat pump penalty, and link it with performance eg thermal imaging tests, so actual heat losses are identified. (The EPC is purely theoretical - it ignores the condition and quality of materials and makes assumptions about construction methods and use which may not be accurate. A house with broken double glazed windows has a better EPC than an identical house with perfect single glazed windows despite having higher heat losses.)
- Require ongoing building performance checks in the industrial and commercial sectors, with regular performance-based EPC assessments of commercial buildings.

Weather-based energy should not be curtailed - it should be converted to into a usable commodity or stored. New storage projects should be facilitated across a range of technologies and storage vectors (chemical batteries, pumped storage, hydrogen etc) and new technologies should be supported.

The restriction on new gas connections to new homes from 2025 should be re-considered. Current policy indicates that pure hydrogen *may be* introduced into the gas mains from 2026 - this means that new homes from 2025 will not be connected to hydrogen mains restricting the potential for hydrogen.

Long term policy actions

Significant energy projects take between 5 and 8 years or longer to deliver, so a long-term strategy with clear deadlines and responsibilities is needed to secure investment.

The development of a hydrogen market, including production, distribution, and availability of appliances are all dependent on clear policy signals. Without this, the sector and its investors cannot take the leap.

Nuclear projects are major undertakings in terms of time and capital, but will be essential to maintain energy security in a high-renewables system. The Government must be pro-active to ensure new nuclear projects are accelerated, removing regulatory roadblocks and unlocking investment. The approach should combine proven technologies (such as the Advanced Boiling Water Reactor originally proposed for Wylfa) with new approaches such as Small Modular Reactors and Molten Salt Reactors.

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