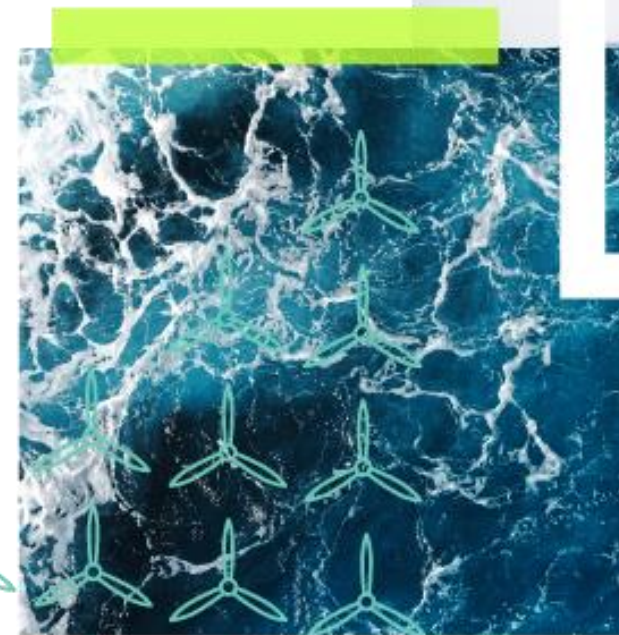


EPRG 2022 Winter Seminar

UK Energy Policy Challenges

December 2022

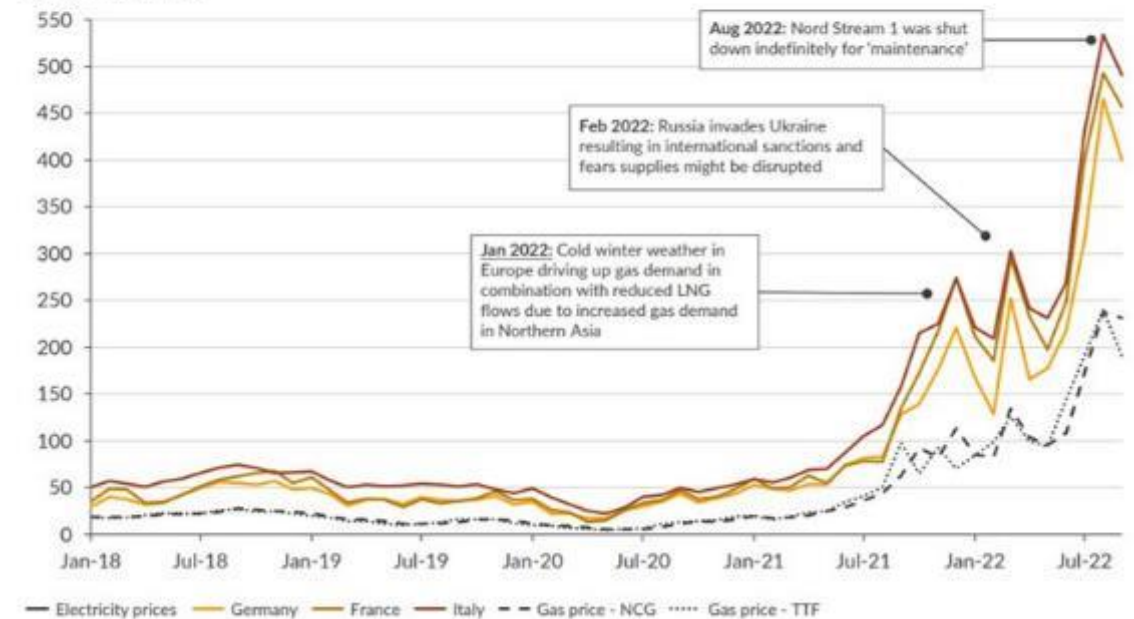


2022 will be remembered for the energy crisis

I. Gas outlook

European energy prices have risen to record highs in recent months, largely driven by Russia weaponising and withholding supplies

Wholesale gas and baseload electricity prices
EUR/MWh (nominal)

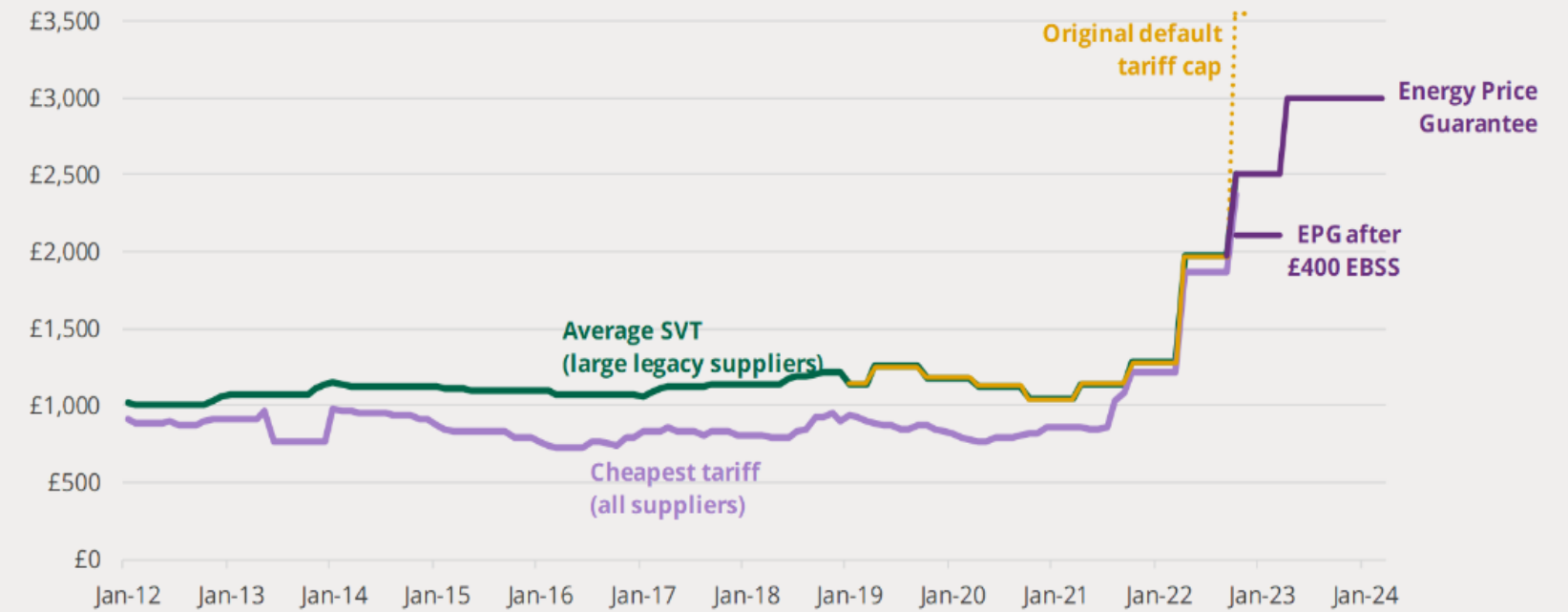


AURORA

- Following the ongoing Russian-Ukrainian war and spreading geo-political tensions, gas and power prices across Europe have risen to unprecedented levels
- Reductions in supply of gas by Russia have significantly increased gas prices, and in turn power prices due to the fact that gas generators are often price setting in power markets
- A reduction in the availability of hydro across Europe and nuclear in France has also increased demand for gas for power generation, further pushing up both power and gas prices

Price cap up by 54% in April 2022, Energy Price Guarantee limits increase in October 2022, but increases to £3,000 from April 2023

Average annual direct debit dual fuel bill for typical levels of consumption, cash prices, Great Britain



Short term measures have been required

War in Ukraine and geopolitical tensions have created challenging environment for consumers

- Sustained and unprecedented increases in wholesale energy and trading costs
- Fast-moving variations in demand and input costs impacting tariff prices



- Frozen prices for financially vulnerable customers
- Launched a €25m customer support fund
- Pledge to keep bills as low as we can to March 2023



- Delivering the UK Government's Energy Bill Relief Scheme and channelling this support to customers
- Mutualisation exposure increased through domestic and non-domestic supplier failures in the year

ofgem

Ofgem launches new proposals to strengthen energy market and protect consumers

Germany

In October, the German parliament approved a "defensive shield" package worth €200bn (£175bn).

Netherlands

Since November, electricity and gas prices for households have been capped at January 2022 levels - up to a certain amount of consumption. Any extra use will be charged at market rates.



Spain

Spain has cut VAT on energy bills and reduced tax on electricity.

France

In January, the government forced the state-owned energy provider, Électricité de France (EDF), to cap price rises at 4% for a year.

Need to build for the long term



INVESTMENT IN THE FUTURE SYSTEM

Leading capabilities and investment pipeline are creating green jobs for the future

2030 BUSINESS GOALS

Cut Carbon intensity by 80%   

Increase renewable energy output fivefold   

Enable low-carbon generation and demand  

Champion a fair and just energy transition  



Electricity networks

Expected over 20% of planned GB investment




Offshore wind

SSE-led projects delivering ~20% of UK's offshore wind target



Onshore wind

Targeting up to 20% of Scotland's onshore wind additions



Hydro options

Coire Glas: more than doubling UK's electricity storage capacity



Distributed energy

Progressing multi-GW solar and battery opportunities

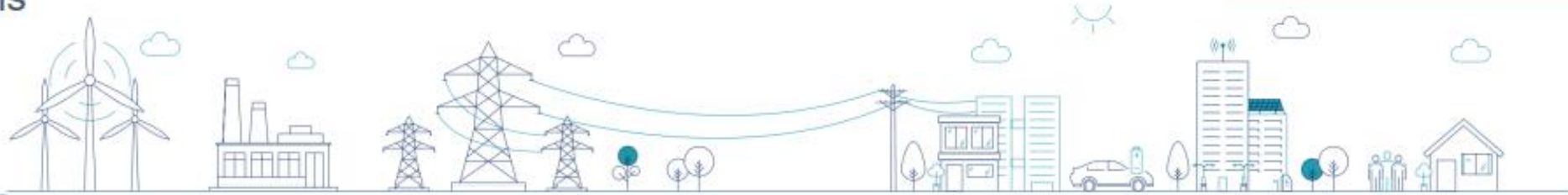


CCS and Hydrogen

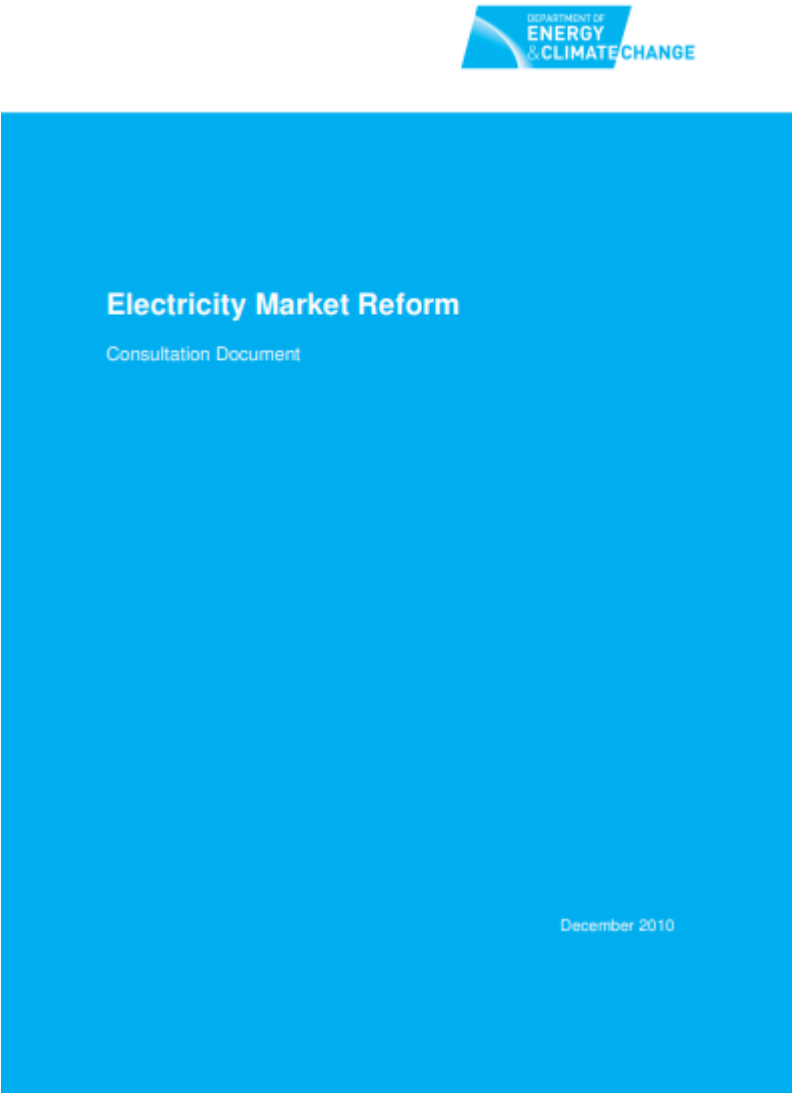
Over 2GW of '1st of a kind' lower-carbon prospects

FUTURE ENERGY SYSTEM

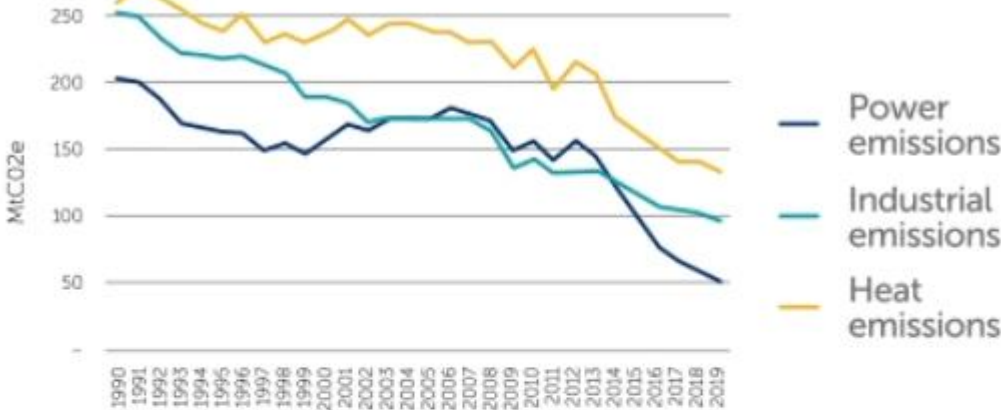
- Energy independence
- Renewables led
- Efficient networks
- Critical flexibility
- Storage capacity
- Greening demand
- Lowest cost for consumers



Frameworks have served us well (to a point)



Carbon emissions from the power, heat and industry in the UK since 1990



Decarbonisation and GDP



And we cannot afford to repeat policy mistakes



House of Commons

Energy and Climate Change
Committee

The Green Deal: watching brief

First Report of Session 2013–14

Oral statement to Parliament

Statement on ending subsidies for onshore wind

Oral Statement by Amber Rudd, Secretary of State for Energy
and Climate Change on ending subsidies for onshore wind.

From: [Department of Energy & Climate Change](#) and [The Rt Hon Amber Rudd](#)

Published 22 June 2015

Delivered on: 22 June 2015

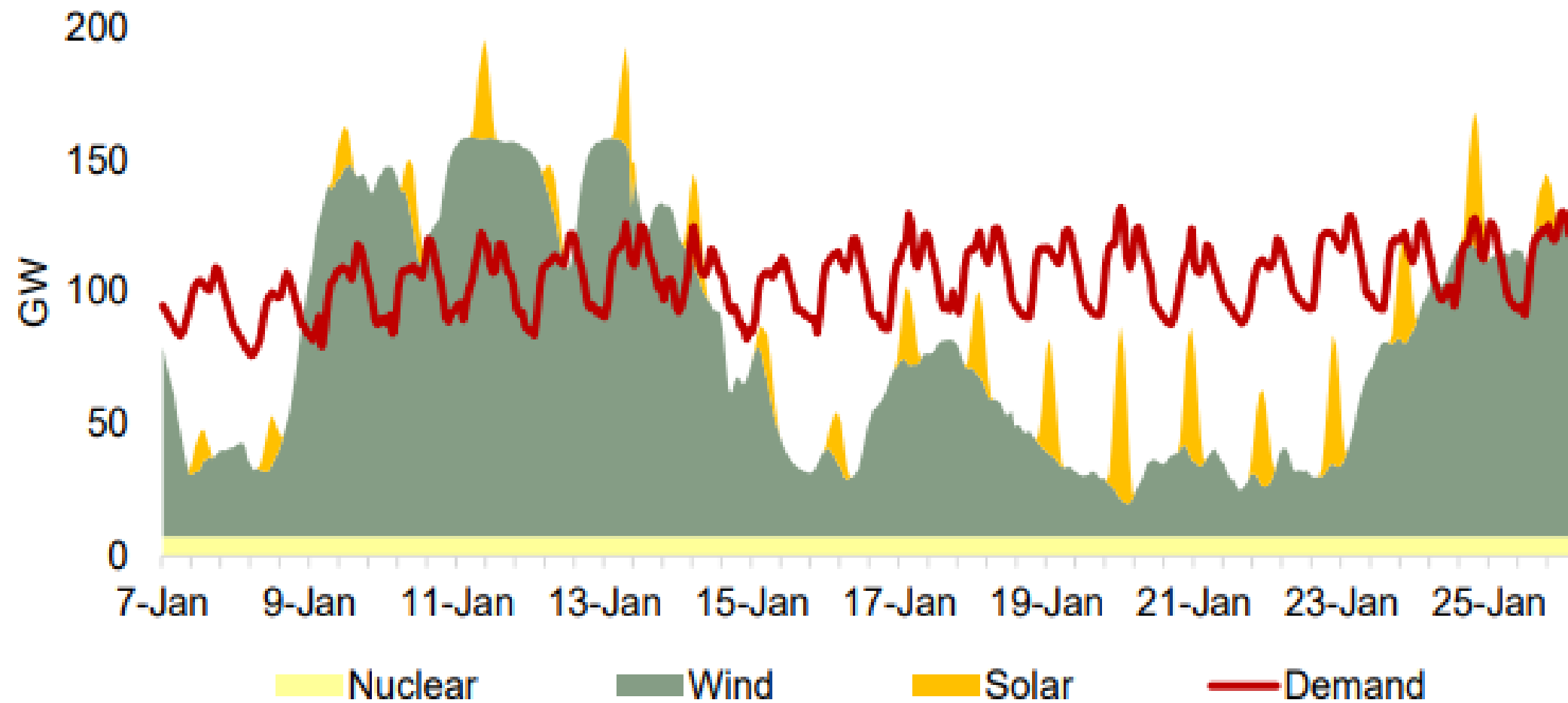
PRINCIPLE 1: COST OF CAPITAL IS KING for this build phase



PRINCIPLE 2: regulation needs to move away from just in time



PRINCIPLE 3: NEED TO PROCURE FLEXIBILITY AT ALL LEVELS OF THE SYSTEM



Stay the course on all low carbon investment

- Evolve the policy and regulatory frameworks that underpin net zero delivery

Cost of Capital is King for this build phase

Regulation must move away from just in time

Need flexibility at all levels of the system

Consistency

Alignment

Clear Goals