

Government Response to Malcolm Wicks's Review of International Energy Security, 'Energy Security: A national challenge in a changing world'

April 2010

Foreword



As the UK moves from being a net energy exporter to an energy importer, the workings of the international energy market are more important to our security. Our prosperity depends on ensuring that we have access to the supplies we need, when we need them, at a cost that is affordable for consumers and helps businesses to stay competitive.

That is why the Prime Minister asked Malcolm Wicks, as his Special Representative on International Energy Issues, to review the international energy security challenges the UK can expect to face in the coming decades. His forensic and farsighted analysis showed the importance of the UK taking action on a range of fronts to preserve our energy security.

One of the most important insights in Malcolm's work is about the role of the state. His view, that more active government and dynamic markets are necessary to ensure energy security, is at the heart not just of this document but also the Energy Market Assessment that was published alongside the Budget.

This document sets out the Government's response to the specific recommendations in the Review – both those that focus on domestic action and those more concerned with international relations.

At home, the Review makes a powerful case for the importance of energy efficiency as well as the development of renewables, clean coal and nuclear power. There has been significant progress on all these fronts including a new strategy for domestic energy efficiency, the introduction of a new planning regime for large scale energy projects and the Energy Bill which sets out plans for the world's largest package of statutory financial support for clean coal.

Abroad, Malcolm recommends that energy security be seen as much a national security issue as an economic issue. This recommendation was reflected in last week's National Security Statement and will be central to the work of the new cross-departmental International Energy Committee.

One of the biggest areas of focus in the Review was gas security. This is an important issue and one we keep under constant review. That is why we have published in parallel a Gas Policy Statement which sets out our overall assessment of gas security and the action needed to ensure gas supplies remain reliable.

Malcolm's work has been instrumental in helping us develop our thinking since its publication. I want to thank Malcolm for his hard work and the tremendous contribution he has made to the issue of energy security.

A handwritten signature in black ink that reads "Ed Miliband". The signature is written in a cursive style with a prominent underline at the end.

Ed Miliband
Secretary of State of Energy and Climate Change

Introduction

1. The Prime Minister asked Malcolm Wicks MP, as his Special Representative on International Energy Issues, to review likely future international energy security and its implications for the UK. The Department of Energy and Climate Change (DECC) is responding as it has lead responsibility for international energy issues.
2. Mr Wicks's Review, 'Energy Security: A national challenge in a changing world', was an independent review that looked in detail at energy security issues, with a strong international focus. It sought to frame an energy security strategy that would support the achievement of the Government's climate change objectives, concentrating in particular on measures which would contribute to achieving the twin challenges of addressing climate change and ensuring energy security. It contains a number of recommendations for DECC and for the Government's international activities which complement the UK Low Carbon Transition Plan¹ published last summer.
3. The Government welcomes this Review, which articulated convincingly the energy security arguments for diversifying our energy use and reducing total energy demand. It agrees that energy efficiency and the adoption of low carbon technologies will be fundamental to our energy security as we transit towards a low carbon economy, and with the importance the Review places on ensuring we have continuity of sufficient supply of existing fuels during the transition. It sees the twin challenges of climate change and ensuring energy security as interlinked and requiring clear, coherent strategy and delivery.
4. The Government recognises that the prospect of significant and rapid change in the way in which we consume and produce energy globally involves uncertainty and new challenges. The UK Low Carbon Transition Plan set out the Government's long-term strategy to radically cut the nation's carbon emissions by 2020 together with mechanisms to secure our energy supplies for the future. The Transition Plan also set out a vision for how we can reduce dependency on fossil fuels and enhance energy security by enabling investment in energy efficiency and clean energy technology such as renewables, nuclear and carbon capture and storage (CCS).
5. The Government has a strategic role in ensuring that the overall policy framework is clear, promotes security of supply and supports the necessary investment in energy infrastructure and in promoting energy efficiency. In November 2009, the Government published for public consultation and Parliamentary scrutiny six draft National Policy

¹ The UK Low Carbon Transition Plan: National Strategy for Climate and Energy:
http://www.decc.gov.uk/en/content/cms/publications/lc_trans_plan/lc_trans_plan.aspx

Statements (NPSs) for energy infrastructure.² These are a key part of wider reforms to create a more efficient, transparent and accessible planning system for nationally significant infrastructure, including low carbon electricity generating infrastructure. That consultation closed on 22 February 2010. Subject to consideration of the responses and Parliamentary scrutiny, the Government intends to finalise these NPSs, which will guide the Infrastructure Planning Commission to make faster and fairer decisions.

6. Some of the key issues raised in the Review centre on gas and the risks associated with an increased reliance on gas imports in the medium term and potentially longer, during the transition to a low carbon economy. The central role of gas in our economy – in households for heating and cooking; in industry for process heat and as a feedstock; and in the power generation sector – underlines the importance of these issues. The Review made some helpful recommendations. They are discussed below, and will feature in the Government's continuing work on security of gas supply, outlined in a Gas Policy Statement³ being published alongside this document.
7. In the international context, we use a number of mechanisms to ensure that we have access to energy imports that are affordable, secure, and sustainable, and support the transition to a low carbon economy in Britain and globally. These include encouraging well-functioning global energy markets; promoting production, transit and export of energy from diverse sources; reducing global demand for fossil fuels; and supporting effective emergency response arrangements.
8. The Energy Markets Outlook Report,⁴ published on 16 December 2009, provided analysis and an assessment of energy security of supply over the next 15 years, to help the market deliver secure energy supplies into the future.
9. The paragraphs that follow respond individually to the recommendations made in the Review.

2 Consultation of draft National Policy Statements for energy infrastructure:

<http://www.energy-nps-consultation.decc.gov.uk>

3 Gas Security of Supply: a policy statement from the Department of Energy and Climate Change:

<http://www.decc.gov.uk>

4 Energy Markets Outlook: December 2009:

http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/markets/outlook/outlook.aspx

Government response to recommendations in respect of international action

Review recommendations: Multilateral institutions

(referring to pages 89-90 of Review)

- Ensure that energy efficiency is at the heart of energy dialogues with our global partners.
- Multilateral institutions with a financial remit should be used to gain a better understanding of the links between energy markets and the risks to the global economy; the International Monetary Fund (IMF), working with the International Energy Agency (IEA), and World Bank should take a more comprehensive view of energy markets surveillance and the potential global economic impacts.
- The UK should continue to support the important work of the International Energy Forum (IEF) Expert Group examining ways of strengthening the global economic architecture and tackling oil price volatility.

Government response

10. The Government fully supports these recommendations. Promoting energy efficiency and the adoption of low carbon technologies are a key part of our dialogue with partners internationally, particularly through the G8 and G20 Summits and Major Economies Forum meetings, and through international organisations such as the recently created International Partnership for Energy Efficiency Cooperation and the International Renewable Energy Agency, the Global Carbon Capture and Storage Institute and ongoing work with the Renewable Energy and Energy Efficiency Partnership and the World Bank.
11. The Government agrees that closer links between global economic institutions and the international energy institutions would enable a greater understanding of the interactions between the energy markets and the world economy. The world economic institutions, as part of their surveillance role for the world economy, are including within their analysis consideration of changes within energy markets.
12. The Government fully supported the IEF Expert Group who reported in December 2009. The Group produced recommendations on both the strengthening of the structured dialogue between oil producer and consumer countries and measures to reduce excess volatility in oil

markets. The IEF High-level Steering Group, co-chaired by the UK and Saudi Arabia, has considered the recommendations. Proposals on how to implement them will be presented to Ministers for approval at the 2010 IEF Ministerial Meeting in Mexico.

Review recommendations: European Union

(referring to pages 90-96 of Review)

- The Government should press for thorough and timely implementation of the Third Package to ensure there is equivalent opening of energy markets across the EU to the UK. It should develop robust contingency plans if the equivalent opening does not materialise.
- The Government should be a leading voice in support of strong, effective regulation of product and energy efficiency standards for buildings at European level. It should give strong support to the low carbon agenda of the Swedish EU Presidency.
- The Government should work with the EU Commission and other EU member states to ensure that barriers to investment in infrastructure are removed. It is particularly important to promote interconnection between states capable of taking LNG delivery and those that are not.
- The Government should do what it can to support EU work to promote diversification of routes and sources of gas supply into Europe including through the use of EU diplomacy to influence third countries where they are better placed to do this than the UK bilaterally. This should in the short term include the development of the Southern Corridor project, with a review in a reasonable timescale of whether the project has a realistic chance of being realised.

Government response

13. The Government strongly agrees with the call for thorough and timely implementation of the Third Package of measures to improve the functioning of the EU's internal energy market. Well-functioning and integrated EU energy markets remain our best defence against supply difficulties; they allow energy to flow where it is needed and encourage investment in infrastructure to meet market needs, as well as delivering more competitive prices for consumers. Since the mid 1990s progress has been made, but the Third Package represents a big step forward. The Government will continue to work closely with EU partners to encourage implementation and enforcement of its provisions. Where Member States do not fully liberalise in line with their obligations, the Government will encourage the Commission to make full use of its enforcement powers and continue using competition law to address

market abuses. The UK supports the aims of the EU draft Security of Supply Regulation to achieve enhanced national and EU resilience through greater preventative and emergency planning and regional cooperation. The UK welcomes the emphasis on a well-functioning, liquid and liberalised market as the best means of dealing with supply shocks deep into a supply crisis. The infrastructure standards required under the Regulation should also lead to investment in improved interconnection where such investment can demonstrate significant benefits to security of supply.

- 14.** Improved energy efficiency and the move to a low carbon agenda more generally has an important role to play in improving the EU's energy security, and helping the UK meet its own domestic ambitions. That is why the UK has been a strong supporter of the EU's drive to strengthen regulation of the environmental impact of products and buildings, including the package of energy efficiency legislation tabled by the Commission in 2008. We hope that these measures will be finally adopted soon. In addition, the UK is actively working to influence the upcoming revision of the EU's Energy Efficiency Action Plan, expected later this year. More broadly, the UK wants to see the transition to a low carbon economy in Europe as a central part of the forthcoming European Energy Action Plan, which the new Commission is expected to bring forward in due course.
- 15.** Infrastructure development is another issue of fundamental importance for European energy security, as Heads of Government have recognised. Implementation of the Third Package must be a priority as it will help to create the right framework to encourage investment and remove regulatory barriers, particularly between different Member States. The UK also supports the Commission's intention to revise the current programme for EU infrastructure support, the "TEN-E", and we look forward to the draft new instrument to be issued later this year. We shall continue to work closely with EU partners to tackle the barriers to greater interconnection within the EU. We agree that the connection of those states in the centre of Europe to states capable of Liquefied Natural Gas (LNG) deliveries should be a priority so as to diversify their source of supply.
- 16.** The Government also agrees that we must encourage greater diversification of the routes and sources of Europe's gas supplies. The UK has consistently pushed for this at EU level. We therefore welcomed the conclusions of the European Council in March last year, which specifically underlined the importance of diversification and the need for the EU to continue delivering consistent messages to suppliers and producers. We shall continue to work with the Commission, other Member States and bilaterally with countries in the region to encourage the development of a "Southern Corridor" for gas into the EU. Lord Hunt has completed a tour of the Caspian region in support of this, meeting with key representatives of Governments, and UK industry. The second

Protocol of Intentions has also been signed between DECC and the Government of Turkmenistan, setting out areas for mutual cooperation in the oil and gas industry. We must continue to build on the momentum gained in 2009 such as the signature of the Nabucco Intergovernmental Agreement whilst reviewing our priorities to take into account new developments and working closely with the new Commission team. The UK is also working with the Spanish Presidency on EU-Mediterranean energy relations.

Review recommendations: Bilateral relations

(referring to pages 96-101 of Review)

- Prioritise Norway, Qatar and Saudi Arabia as the most significant bilateral relationships to our energy security. Relationships built on a broad base including diplomatic, development and cultural collaboration will provide a firm basis on which to pursue our energy security goals.
- Include within a second tier of priority countries those who are actual or potential suppliers of gas primarily to the UK, but also to the European or global markets. This list of countries could change over time and should be regularly reviewed by the mechanism suggested in Chapter 6.
- In a third tier of priority should be countries capable of increasing oil production in the short-run to reduce the risk of a price spike when global oil demand picks up. The Government is well-placed to draw upon the UK's expertise in oil and gas production to help such countries to benefit from their resource endowments.
- In relations with oil and gas producing or transit countries, prioritise assistance with energy efficiency and non-fossil technology adoption.

Government response

17. The Government agrees that we need to concentrate on those relationships that matter most for our energy security both in the short and long term – a set of relationships which will change over time. These will build on existing arrangements to assess risks to our energy security, ensuring that work across Government is properly coordinated and that our priorities for action are aimed at addressing the UK's energy security needs.

18. Important work already underway in relation to key relations includes:

- The 2005 Framework Agreement with Norway has largely replaced the need for individually negotiated treaties for trans-boundary oil and gas developments. By working closely with the Norwegian authorities, seven new offshore projects have been agreed by the two governments in the past five years and discussions started on a further three projects. Guidance now being developed with the Norwegian Petroleum Directorate is designed to help promote further trans-boundary activity in the oil and gas sector. The two governments are also working closely together on the development of CCS – the North Sea represents one of the most promising resources in Europe for carbon storage and this is the subject of the recently launched “One North Sea” project.
- The opening of the South Hook LNG receiving terminal in May last year, as part of the integrated QatarGas II project, is an example of how excellent political relations, sustained over a number of years, can reap rewards for our security of supply. Through this single terminal, the UK has capacity to import 17 per cent of its gross annual gas demand, from a dedicated gas field in Qatar. This relationship with Qatar is now broadening to include investment and demonstration of innovative low carbon technologies through work by the Carbon Trust.
- The UK also considers its relationship with Saudi Arabia as a priority across a broad range of government policy. We have an annual meeting with the Saudis at ministerial and official level. Our close working has been demonstrated recently through our Prime Minister's involvement in the Jeddah Energy Meeting and the London Energy Meeting in 2008. We have co-chaired the steering group with the Saudi Government, overseeing the IEF Expert Group and proposals to address oil price volatility. We are also investigating opportunities for cooperative working on areas of mutual interest like new energy technologies such as solar power and CCS.
- With the Government of Iraq, the UK is well placed to share skills in the oil and gas sector. A programme of skills building could, for example, result in greater capacity in the Ministry of Oil improving governance of their energy sector. By working collaboratively with the Government of Iraq to provide support on building energy sector-specific skills, we increase Iraq's progress towards developing its natural resources. This not only helps Iraq stabilise its economy and strengthen its security; it also helps stabilise the global oil price by increasing the potential flow of oil to international markets.

- The Government has also started to work with Nigeria. Through offering support to the Federal Government of Nigeria to reform its oil and gas sector, we aim to improve the overall governance of the sector, primarily to enable Nigeria to make the most of its natural resources for the benefit of its citizens but also to increase the flow of oil to the world market and potentially become a future source of gas for the UK.

19. The Government will continue to ensure that promotion of energy efficiency and investment in clean technologies are an important element of our engagement with key producing, consuming and transit countries. For example, we have recently agreed a Memorandum of Understanding with Russia to promote cooperation on energy efficiency and renewable energy. We are working to secure wider commitments to implementation of the IEA's 25 recommendations for improving global energy efficiency, and we are a founding partner of the new International Partnership for Energy Efficiency Co-operation (IPEEC). IPEEC is intended to act as a high-level forum bringing together OECD and non-OECD countries to exchange information, identify and disseminate best practice and coordinate practical international collaboration to build global capacity for effective energy efficiency.

Government response to recommendations in respect of domestic actions

Review recommendations: Energy efficiency and carbon reduction

(referring to pages 102-104 of Review)

- The Government must take a bold lead on energy efficiency and energy conservation by taking symbolic action itself at a substantial scale.
- The Government should employ all measures at its disposal to promote greater energy efficiency in the commercial sector.

Government response

20. The Government agrees about the importance of central government and the wider public sector leading the way in reducing its own carbon emissions and driving the transition to a low carbon economy, and about the importance of energy efficiency in the hierarchy of actions. The current plans in place for central government as a whole will deliver a total reduction of 17.8 per cent from offices against the Sustainable Operations on the Government Estate (SOGE) target of 12.5 per cent by 2010/11 (relative to 1999/2000 levels). Furthermore, we are currently reviewing the SOGE targets as a number of them have expired or are due to expire in 2010/11. As part of this review, we are considering the appropriate level of scope and ambition of our refreshed targets for 2011/12 onwards to ensure they reflect the Government's continued commitment to lead by example. In addition, we are conducting a cross-cutting review of the low carbon potential of the whole of the public sector. This study will look at how the public sector can achieve significant cost effective carbon savings. The Government will aim to achieve savings of £300 million per year by 2012/2013 through improving energy efficiency across the public sector, cutting energy bills by around 10 per cent and contributing to climate change goals by reducing the public sector's carbon emissions by more than 4 million tonnes over the lifetime of the measure.
21. We are providing up to £60 million in interest-free loans to the public sector through the Salix loans scheme. This enables investment in energy efficiency measures with pay-back periods of up to five years, and will save over 80,000 tonnes of carbon dioxide a year. We are also providing up to £20 million across 2009/10 and 2010/11 for central government departments to test out new technologies and secure emissions reductions from their estate and transport. In addition, the

Carbon Trust provides energy efficiency support to the public sector, and the Office of Government Commerce (OGC) works with central government on a range of energy efficiency measures, including promoting technologies through collaborative procurement, and encouraging the retrofit of existing buildings with energy efficiency solutions.

- 22.** The commercial sector also accounts for a significant proportion of emissions and has an important role to play in meeting the challenge of climate change, particularly through improved energy efficiency. The UK Low Carbon Transition Plan and UK Low Carbon Industrial Strategy, published in July 2009, set out the action being taken to incentivise businesses to improve their energy efficiency, and to capture the economic benefits of the transition to the low carbon economy.
- 23.** There are a range of measures in place to directly incentivise businesses to improve their energy efficiency, in particular:
- the EU Emissions Trading System – a cap and trade scheme covering 43 per cent of UK emissions, which is predicted to support carbon savings of 170 MtCO₂ (million tonnes of carbon dioxide) between 2008-2012;
 - the CRC Energy Efficiency Scheme, which is aimed at larger non-intensive energy users, will cover 10 per cent of UK emissions and is expected to deliver emissions savings of at least 4 MtCO₂ per year by 2020; and
 - the Climate Change Levy (CCL) and Climate Change Agreements (CCAs). CCAs are voluntary agreements between government and industry that enable energy intensive businesses to obtain an 80 per cent discount from the CCL, in return for meeting challenging, but cost effective, energy efficiency or carbon saving targets. Compared to business as usual, CCA targets are estimated to achieve annual savings of over 10.5 MtCO₂ by 2010.
- 24.** In addition, the Government-funded Carbon Trust provides a range of advice and support to help businesses improve their energy efficiency. The Trust estimates that it helps UK businesses to save a combined £1 million per day and aims to save the UK economy £1 billion over the next three years through cost effective action on climate change, including better energy management, improved lighting and more efficient heating. Specific schemes administered by the Carbon Trust include the provision of low cost energy efficiency loans to small and medium sized businesses and the Enhanced Capital Allowance Scheme, which permits 100 per cent first year capital deduction for approved energy saving plant and machinery, thereby stimulating green production and consumption as well as reducing energy bills for businesses.

- 25.** Furthermore, the Technology Strategy Board, in partnership with government departments, has launched two Small Business Research Initiative competitions to develop and demonstrate solutions that improve the energy performance of typical government offices and the social housing stock. The £17 million 'Retrofit for the Future' competition, developed in partnership with the Housing and Communities Agency, has challenged industry to develop and demonstrate solutions for refurbishment of entire homes that deliver deep cuts in energy use and carbon emissions. The aims of the competition are to stimulate the retrofit housing market, to develop the supply chain and to inform future government procurement. Similarly, the £2.75 million Energy Efficient Whitehall competition, co-funded by DECC with the support of the OGC, will see Whitehall buildings demonstrating new energy efficiency technology with a view to reducing energy bills and giving businesses the opportunity to provide innovative new solutions through government contracts.

Review recommendations: Nuclear

(referring to pages 104-106 of Review)

- An aspiration that nuclear should provide some 35-40 per cent of our electricity beyond 2030 should be considered by Government.
- The Government should take the opportunity to make a strong and clear statement on the need for new nuclear power plants in the forthcoming National Policy Statement for Nuclear.

Government response

- 26.** In the UK Low Carbon Transition Plan, the Government made clear its view that in order to decarbonise, our electricity supply will need to come from a mix, including nuclear power alongside renewable sources and fossil fuels with CCS. Consistent with this, the Government welcomes the assessment in the Review that nuclear power has an important part to play in the energy mix.
- 27.** The Government published for public consultation and Parliamentary scrutiny a draft National Policy Statement (NPS) for nuclear power in November 2009, alongside a draft Overarching Energy NPS and other draft technology-specific energy NPSs.⁵ NPSs are part of the Government's wider programme of reform to create a more efficient, transparent and accessible planning regime. They will be used by the new Infrastructure Planning Commission (IPC) when it considers

⁵ The consultation closed on 22 February 2010. The draft NPSs are available at: <http://www.energy-nps-consultation.decc.gov.uk>

applications for development consent for nationally significant infrastructure projects.

- 28.** In line with the recommendation in the Review, the draft Nuclear NPS includes a clear explanation of Government policy on the need for new nuclear power. Amongst other things, this states that there will be a need for approximately 60 gigawatts (GW) of net new capacity by 2025 (with as much as 35 GW of this coming from renewables) and that “... in principle, new nuclear power should be free to contribute as much as possible towards meeting the need for 25 GW of new non-renewable capacity”.⁶ The Government’s view is that this provides a clear assessment of the contribution that new nuclear power could make to the electricity mix by 2025, and it does not at this stage consider it necessary to set a target or “aspiration”. The draft Nuclear NPS also states that “...the IPC should start its examination of development consent applications for new nuclear power stations on the basis that need has been demonstrated and should give this need, and the benefits of meeting it, substantial weight in determining the applications”.⁷ Subject to consideration of the responses from the public consultation and Parliamentary scrutiny, the Government intends to finalise the Nuclear NPS later this year.
- 29.** Meanwhile the Government is focused on helping to remove potential barriers to investment in new nuclear power, and allowing energy companies to come forward with projects if they consider it in their interests to do so. The action taken by the Government so far has resulted in real interest in new nuclear in the UK, with energy companies announcing plans to build up to 16 GW of new nuclear capacity.
- 30.** The Government is also encouraging the involvement of UK companies in the civil nuclear market by promoting supply chain opportunities; supporting the development of specific industrial capabilities through initiatives such as the Nuclear Advanced Manufacturing Research Centre;⁸ and working with skills bodies to develop the skills required to support the construction, operation and decommissioning of civil nuclear power stations in the UK.

⁶ Draft National Policy Statement for Nuclear Power Generation [EN-6], p6

⁷ Ibid

⁸ <http://nds.coi.gov.uk/content/detail.aspx?NewsAreaId=2&ReleaseID=409236&SubjectId=2>

Review recommendation: Renewables

(referring to pages 106-107 of Review)

- The Government needs to consider whether further policy instruments that direct investment in capacity towards non-fossil fuel power generation, including wind, tidal and wave are required.

Government response

- 31.** The UK has committed to sourcing 15 per cent of its energy from renewable energy sources by 2020, which represents a seven-fold increase from 2008 levels. The precise breakdown of how the UK could achieve this target is dependent on a number of factors. The Renewable Energy Strategy (RES)⁹ sets out a 'lead scenario' on how this might be achieved in the UK with existing policies and others in development.
- 32.** The lead scenario suggests that in 2020 renewables could provide more than 30 per cent of our electricity (with 2 per cent of it coming from small-scale generation). The Renewables Obligation (RO) is our main mechanism for financially incentivising renewable electricity generation and has enabled a trebling in eligible renewable generation since 2002. In April 2010, we launched a new Feed-in Tariffs (FITs) scheme to supplement the RO, which will focus on small-scale low carbon electricity generation. We consulted on changes to the RO and the design of the FITs in our Renewable Electricity Financial Incentives consultation in the summer of last year. The Government response on the changes to the RO was published in December 2009, and its response on the details of the FITs mechanism was published in February 2010.¹⁰
- 33.** The RES lead scenario also suggests that 12 per cent of our heat needs could come from renewables. To support the development of this sector we are planning to launch the Renewable Heat Incentive (RHI) in April 2011, which will help to drive the rollout of renewable heat generating equipment at all levels. The RHI will be one of the first financial incentive schemes for the generation of renewable heat. We are currently consulting on the proposed design of the RHI.¹¹
- 34.** It is envisaged that these schemes will bring about an increase in the amount of locally produced green energy, as a contribution to the wider shift of the energy mix to low carbon.

⁹ http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/renewable/res/res.aspx

¹⁰ http://www.decc.gov.uk/en/content/cms/consultations/elec_financial/elec_financial.aspx

¹¹ <http://www.decc.gov.uk/en/content/cms/consultations/rhi/rhi.aspx>

- 35.** In March 2010 the Government published the Executive Summary and Recommendations of its Marine Energy Action Plan. The Action Plan is a collaborative process between Government and the private sector to:
- set out a “vision” for the marine energy sector to 2030 (with reference to 2020);
 - outline the actions required by both industry and the public sector to facilitate the development and deployment of marine energy technology; and
 - act as an ongoing process for Government and the private sector to work together fulfil that vision.
- 36.** The Action Plan highlighted five high-level themes which would need to be addressed to drive forward the development and deployment of marine energy technologies:
- the need to prove the technology, particularly to stimulate long-term investor confidence;
 - providing the appropriate regulatory frameworks to facilitate deployment of marine energy devices;
 - ensuring appropriate funding is in place for the sector both from the public and private sectors;
 - cooperation and engagement across the sector and supply chain; and
 - the importance of interdependency of all these themes.
- 37.** The Government will consider what levels of targeted funding are necessary to bridge the technology market failures that exist for marine energy in the context of the forthcoming public spending round. The support for marine energy deployment under the RO will be considered in the scheduled RO banding review set to take place in autumn 2010, while recognising that support levels also need to take into account the impact on energy consumers.

Review recommendations: Electric vehicles

(referring to pages 107-108 of Review)

- The Government should continue to support the development and deployment of alternative transport technologies, building on the very welcome programmes already announced.
- The UK has real potential as a major technology innovator both in design and engineering technologies which should enable us to play a leading role in new vehicle development. The Government has an important catalytic role, including in fostering international collaboration and working with major car makers who manufacture here to centre development of new technologies in the UK.

Government response

- 38.** The Government is committed to supporting the development and deployment of alternative transport technologies. The New Automotive Innovation and Growth Team (NAIGT) was set up in April 2008. It was given a mandate to develop and agree a collective strategic view from the automotive industry on the innovation and growth challenges that it faces in the period to 2025. NAIGT developed a series of technology roadmaps that showed that there are two approaches that might be adopted when considering the future of the UK automotive sector: the evolution of existing automotive technologies, or a more revolutionary approach of supporting disruptive technologies such as the electrification of transport (electric vehicles and plug-in hybrid electric vehicles).
- 39.** The Technology Strategy Board has commissioned a study to understand the UK's capabilities in light of these two approaches. The greatest opportunity lies in the ultra-low carbon vehicle marketplace, where the complexity of the issue is not simply the vehicle technology but a combination of vehicle and infrastructure technology, government policy and leadership.
- 40.** The Government has set a clear vision of placing the UK at the global forefront of ultra-low carbon vehicle development, demonstration, manufacture and use. The UK has a comprehensive package of policies valued at over £450 million to deliver this ambition. In response to industry calls for leadership into this new market the Government has established the cross-Whitehall Office of Low Emission Vehicles (OLEV). OLEV will bring all the levers of government together to deliver an integrated strategy to support supply, develop demand and enable places for ultra-low carbon vehicles use.

41. In November 2009, OLEV launched the £30 million Plugged in Places framework to support the deployment of electric vehicle charging infrastructure in lead UK cities. Plugged in Places complements the £230 million set aside by the Government to incentivise the purchase of electric and plug-in hybrid electric vehicles. The scheme will provide grants worth 25 per cent of the price of eligible cars, to reduce their price by up to £5,000 from January 2011.
42. To enable UK-based businesses to receive the greatest economic benefit from this changing market the Government will continue to offer funding to areas of strategic importance through the Technology Strategy Board's low carbon vehicle innovation platform. In addition to supporting UK business development, OLEV will work with international Standards Bodies to ensure UK interests are at the forefront, and will promote the UK as a location to do business in ultra-low carbon vehicles.

Review recommendation: R&D in the energy sector

(referring to page 108 of Review)

- The Government should take steps to increase the UK public and private sector spending on R&D in line with recommendations in the Stern report and current Commission/EU proposals to ensure it can meet the challenges of the climate change agenda.

Government response

43. The Government recognises the importance of supporting low carbon technologies, and is committed to stimulating the development and deployment of these, including through having a flexible regulatory framework able to deliver the incentives necessary to support development and innovation in electricity networks.
44. The UK has dramatically increased investment in clean energy research, development and distribution over the last five years with significant commitments in the current Comprehensive Spending Review (CSR) period. This includes:
 - expenditure in excess of £300 million over the CSR period through the Research Councils Energy Programme;
 - the establishment, in partnership with industry, of the Energy Technologies Institute (with Government commitment of up to £500 million over ten years); and

- investments of the Technology Strategy Board, through its support for business-led energy R&D and activities such as its Innovation Platforms focused on low carbon vehicles and low impact buildings.
45. One of DECC's primary sources of funding in this area is the UK Environmental Transformation Fund (ETF), which aims to accelerate the commercialisation of low carbon energy technologies through support for large-scale demonstration and pre-commercial deployment. Funds of up to £400 million have been allocated for the period 2008/09 to 2010/11.
 46. The ETF was complemented by the announcement in spring 2009 of up to £405 million of new funding over two years. This funding targets interventions in priority low carbon industries that will enable UK business to compete globally. In July 2009 we announced how some of that funding will be used for key technology areas, for example up to £120 million to significantly advance the offshore wind industry in the UK and up to £60 million to cement the UK's position as a global leader in wave and tidal energy. In addition, the £33 million announced in the UK Low Carbon Strategy for the Nuclear Advanced Manufacturing Research Centre will ensure UK manufacturers are able to meet the standards and develop the capability to compete competitively for civil nuclear contracts. The Pre-Budget Report also confirmed our commitment to finance four CCS demonstration projects.
 47. To deliver the UK's low carbon innovation goals, the Renewable Energy Strategy made a commitment to develop a more collaborative working arrangement between low carbon funding bodies. This Group will work to ensure effective coordination and coherence of research, development and demonstration projects across the low carbon energy sector. This will build on a strategy developed by the Low Carbon Innovation Group which consists of the Technology Strategy Board, Carbon Trust and Energy Technologies Institute and will now be expanded to include the ETF and the Research Councils.
 48. Support for smart grids has increased, with a £6 million capital grant fund for demonstration projects launched on 2 December 2009. In addition, Ofgem announced in August 2009 that it was proposing to establish a Low Carbon Network Fund of up to £100 million a year for five years to support large-scale trials of advanced technology, including smart grids.
 49. In the South West of England, which has been designated a Low Carbon Economic Area for wave and tidal power, the Wave Hub technology demonstrator, part funded with up to £9.5 million of central government investment, will be the world's first large-scale wave energy farm.
 50. We are engaging with Ofgem on its review of the long-term framework for regulating electricity and gas markets (RPI-X@20 Review). The

Distribution Price Control Review announced the launch of the Low Carbon Networks Fund which will provide distribution network operators with up to £500 million over the next five years to test innovative technology. These reviews provide an opportunity to help ensure that electricity network businesses innovate in response to medium- to longer-term challenges.

51. To inform future decisions, the Government has asked the Climate Change Committee to undertake a high-level review of UK research and innovation linked to achieving the Government's climate change goals, focusing in particular on public sector bodies and the effectiveness of measures (both public and private) to support relevant research and innovation. The review is expected to be completed by summer 2010.

Review recommendations: Coal

(referring to pages 109-110 of Review)

- The UK should remain at the forefront in developing CCS technology and demonstration.
- The UK should develop its own economically viable coal resources where it is environmentally acceptable to do so, including through the use of innovative technologies.

Government response

52. Tackling emissions from coal is a priority: it is the fuel with the highest carbon emissions. It is also a reliable fuel for power generation, low cost, with abundant remaining global reserves and countries across the globe set to use increasing quantities for electricity generation. Developed countries need to show leadership in demonstrating that we can decarbonise electricity generation from coal. If we cannot tackle emissions from coal, it is difficult to see how a move to a future global low carbon economy can be reconciled with the need for energy security and affordability. That is why the development and deployment of CCS is so crucial.
53. The UK is already recognised globally as a champion of CCS: we were instrumental in securing the G8's 2008 commitment to an ambition for 20 large-scale CCS demonstration projects to be launched globally by 2010, and we are one of only a handful of countries to have launched a competition to support a commercial-scale CCS demonstration project. Furthermore, the UK Government recently announced an ambitious programme to put in place a new CCS incentive to fund four UK CCS demonstrations, including the current demonstration project, along with a requirement for any new coal power stations to demonstrate the full

CCS chain.¹² In March 2010 we announced the next stage of the current CCS competition. Funding was awarded to E.On and Scottish Power for design and development studies as part of the competition to build one of the world's first commercial-scale CCS demonstration plants. We expect demonstration plant to retrofit CCS to their full capacity by 2025. The CCS incentive will be able to support retrofit to the demonstration projects, with any decisions on additional funding over and above the existing demonstration commitment considered as part of the review process, taking fully into account value for money considerations. The review process will be a rolling review, which is planned to report by 2018, and which will consider the appropriate regulatory and financial framework to further drive the move to clean coal. In the event that CCS is not on track to become technically or economically viable, an appropriate regulatory approach for managing emissions from coal power stations will be needed.

- 54.** To contribute to international momentum on the development and deployment of CCS in the run-up to the climate change negotiations in Copenhagen, the UK, together with Norway, hosted the 3rd Ministerial Conference of the Carbon Sequestration Leadership Forum in London in October 2009. The conference brought together governments from 20 countries, as well as CEOs and delegates representing industry, NGOs and civil society. The main outcomes were:
- agreement that more than 20 industrial-scale CCS demonstrations could be needed by 2020, including in developing countries, with knowledge sharing between projects;
 - announcements totalling US\$3 million of financial support for a Carbon Sequestration Leadership Forum capacity-building program to enable developing countries to host demonstrations and prepare for rapid CCS deployment once it is proven; and
 - the strongest signal yet, from developed and developing countries alike, that CCS must be incentivised as part of any global climate deal.
- 55.** We are working very closely with groups of key countries towards the deployment of CCS through various initiatives including: the North Sea Basin Task Force (with Norway, Netherlands and Germany); the Four Kingdoms initiative (with Saudi Arabia, Netherlands and Norway); the Near Zero Emissions Coal initiative (with the EU and China); and the SANERI centre (with South Africa).
- 56.** If coal is to continue to have an important role in the UK energy mix, as well as tackling carbon emissions the potential environmental impact of

¹² A framework for the development of clean coal: consultation response:
http://www.decc.gov.uk/en/content/cms/consultations/clean_coal/clean_coal.aspx

both its extraction and its use must be managed. The UK's coal reserves are an important national resource and contribute to the resilience and affordability of supply. Coal producers believe that with appropriate investment and access to reserves they can maintain output at around current levels for the foreseeable future. New technologies could enable the use of coal resources which are unsuitable for conventional mining, such as underground coal gasification, and the Government is supportive of their development.

Review recommendation: Refinery sector

(referring to page 110 of Review)

- The Government in recognising the importance for our energy security of UK refining capacity, needs to remain mindful of refiners' needs and challenges in its decision-making on regulations, tax treatment and the like.

Government response

57. The Government recognises the importance of the UK refining sector and the downstream oil industry for our energy resilience and the wider economy.
58. The Government made clear in the UK Low Carbon Transition Plan that DECC is working with the refining industry to review the current and future challenges it faces. These challenges include achieving the right balance between product quality and product mix and future demand patterns, while continuing to ensure that safety and environmental objectives are met.
59. Working with the downstream oil industry, DECC is also reviewing the oil supply and distribution infrastructure and its capacity. Work will identify barriers to investment in new or upgraded infrastructure, and develop options to strengthen supply resilience.
60. In addition, DECC will continue to work with the downstream oil industry to review the industry-based compulsory oil stocks regime.

Review recommendation: Connection with sources of renewably generated power

(referring to pages 110-111 of Review)

- The Government should explore the potential for greater import capacity of clean energy from other states, for energy security as well as climate reasons.

Government response

- 61.** It is the Government's intention to meet our 15 per cent renewable energy target (see paragraph 31) through domestic action. However, we will continue to explore the potential for greater import capacity of clean energy from projects in other states for energy security and climate reasons. We consulted¹³ last summer on extending the Renewables Obligation mechanism to renewable generating projects outside the UK, where the electricity is physically imported into and consumed in the UK. The Government recognises that improving grid access for generators and faster delivery of new energy infrastructure are key to enabling deployment of the renewable and other essential low carbon generation we need between now and 2020. To speed up planning for energy infrastructure development, we have published draft National Policy Statements setting out guidance for the newly established Infrastructure Planning Commission when making planning decisions on nationally significant energy infrastructure projects, including grid infrastructure.
- 62.** As part of this, the Government is interested in exploring the potential to use interconnection and technologies such as pumped storage in adjacent countries such as Norway to mitigate likely intermittency impacts from a significant offshore wind expansion, particularly in the North Sea. We raised these issues – and asked for views from stakeholders – in our recent call for evidence 'Delivering Secure Low Carbon Electricity'.¹⁴ The responses to this call for evidence have fed into the Energy Market Assessment published on 24 March 2010. This set out initial findings on whether the current energy market framework will deliver our long-term decarbonisation objectives while maintaining secure supplies and delivering a fair deal for consumers.
- 63.** At the Energy Council in December 2009, Lord Hunt signed a Political Declaration with the Energy Ministers of Germany, France, Belgium, Netherlands, Luxembourg, Denmark, Sweden and the Republic of

¹³ Renewable Electricity Financial Incentives 2009:

http://www.decc.gov.uk/en/content/cms/consultations/elec_financial/elec_financial.aspx

¹⁴ <http://www.decc.gov.uk/en/content/cms/consultations/electricsecure/electricsecure.aspx>

Ireland to start discussing the issues around development of a wider North Seas grid. Norway has subsequently joined the initiative.

- 64.** The Political Declaration states that the Ministers of the countries concerned will work together on developing offshore infrastructure in the North Seas (this is intended to cover the North, Irish and Baltic Seas). It stresses the role offshore wind energy can play in meeting the EU's 20-20-20 targets and the benefits it can bring in terms of security of supply and market integration. It notes that the complexity of the initiative calls for improved multilateral collaboration and recognises that this requires a common vision supported by Ministers. The intention is to sign a Memorandum of Understanding later this year, setting out a strategic work plan to coordinate offshore wind infrastructure development between the countries involved.
- 65.** In addition, the UK is leading a grid infrastructure workstream within the British Irish Council (BIC) which focuses on identifying key areas for consideration and information exchange and the group's future programme of work on grid infrastructure. The areas identified included R&D, regulation, planning consent, and influencing EU policy on grid infrastructure. Lord Hunt hosted and chaired the first meeting of BIC Energy Ministers in London in March this year.

Government response to recommendations in respect of reducing risks associated with hydrocarbon importation

- 66.** Even with the development of low carbon technologies and activity to reduce emissions, for many decades to come the UK will continue to require both oil and gas to meet its needs in transportation, industry, heating and power generation. A combination of policy measures is forecast to reduce gas demand by some 30 per cent over the period to 2020, but production will continue to decline, increasing the proportion of gas which we will need to import. It is forecast that demand for oil will be flat over the period to 2020, despite higher demand for diesel for motor transport and aviation fuel. In this context, it is very important for the UK's security of supply that we maximise economic production from our own reserves.

Review recommendations: Maximise oil and gas production from UK reserves

(referring to page 112 of Review)

- The Government should keep the tax treatment of profits from UKCS production under continuous review, to ensure investment is maintained at the level which is necessary properly to realise maximum potential in the North Sea, as a key contribution to energy security.
- The Government should continue to do everything it can to develop the West of Shetlands province, and stand ready to play a catalytic role in bringing together the interests necessary for its further development, including an adequate gas transportation capacity.

Government response

- 67.** In Budget 2009, the Chancellor introduced an incentive to encourage smaller and more technically challenging fields to be brought into production. The new “field allowance” will reduce the tax that qualifying developments pay when they first begin producing oil and gas – this could be particularly relevant for technically difficult projects and to the development of small accumulations of gas. Extensions to the scope of the field allowance were announced in the Pre-Budget Report in December 2009 and also in January 2010, the latter bringing in remote deepwater gas fields as are found in the area to the west of the Shetland Islands. The Government is committed to maximising the economic production of the UK’s oil and gas reserves whilst ensuring a fair return to the nation and will continue to engage with the industry to ensure this objective is met.
- 68.** The Government also fully recognises the significance of indigenous production for our energy security, and continues to seek to maintain the right conditions for the investment necessary to make the best of our substantial remaining reserves.
- 69.** To achieve full recovery of UK oil and gas reserves, we shall need to attract substantial continuing investment, against fierce competition from oil and gas producing regions throughout the world. Recent initiatives include:
- a wider range of licences to suit different situations and players;
 - unlocking fallow acreage and underused assets;
 - action to facilitate asset trading and infrastructure access;

- a joint government/industry initiative to find a collective solution for new gas infrastructure that would help unlock the potential to the west of Shetland; and
- the 25th offshore licensing round which completed in November 2008 produced 171 licences, the highest number ever offered.

70. Such measures have helped sustain levels of interest and activity, and we will continue to work with industry to maintain momentum. The most recent development is a new round of offshore licensing which was launched in January 2010, offering a record 2818 blocks, including acreage from all areas of the UKCS.

Review recommendations: UK gas market issues

(referring to pages 113-118 of Review)

- The Government should support companies looking to conclude long-term supply agreements with overseas suppliers.
- The Government should require firms supplying the UK gas market to provide sufficient information on their contracted supply levels so that it has the contextual information to make soundly-based policy decisions.
- The Government should carefully consider the outcomes of the examination of the supplier obligation in Ofgem's Project Discovery to assess whether it provides sufficient assurance of secure supplies.
- The Government should keep under review the possibility of further measures to enhance levels of gas storage, should anticipated commercial storage developments fail to materialise at the scale anticipated.

Government response

71. This winter – the coldest for some 30 years – the UK's gas markets have been tested by extreme circumstances. Within Great Britain, prolonged cold spells led to unprecedented levels of demand, at the same time as a major external supplier experienced technical difficulties. It has stood up well. Supplies continued to meet demand, with stable consumer prices, and the system demonstrated its resilience. Local interruption on commercially agreed terms through interruptible contracts preserved the flexibility and security of the system, in particular, helping to alleviate pressure on local pipeline constraints in dealing with record flows of gas.

72. GB's competitive gas market operates within a strategic framework set out by the Government. This framework maintains security by:

- ensuring that the system is diverse – both in the sources of its gas supply and within the transport and distribution infrastructure;
- utilising a well-functioning market to deliver a high-quality service to consumers and to provide necessary levels of investment across the system; and
- ensuring that appropriate resilience measures are in place, through regulation to complement and strengthen the operation of the market.

73. The experience of this winter demonstrates that existing mechanisms to deliver security of supply are working well. This reflects:

- **a substantial increase in import capacity.** There has been a 500 per cent increase in our gas import capacity in the last decade. Our infrastructure is now capable of importing over 120 per cent of annual gross demand. This allows the UK to import gas from a wider range of sources and to increase gas flow in response to high demand.
- **an increase in gas storage capacity.** Storage capacity has been increased over the last decade by around 25 per cent. This enables the UK to store more gas, which can be used to meet peak demand or if there are difficulties bringing in imports.
- **improving information to the market.** Changes to market rules and information flows to the market have made it easier for market participants to plan ahead, and to limit the impact of technical difficulties in any particular gas supply facility.

74. These improvements reflect the role of a strategic Government, working with Ofgem to facilitate increased investment in domestic gas supply infrastructure, and to improve market signals. The Government continues to work with industry to identify and remove any further barriers to investment in gas infrastructure – for example, in relation to the consents regimes. The Planning Act (2008) updates the consents regime for onshore projects (including gas storage); the new Infrastructure Planning Commission, under this Act, opened to receive planning applications on 1 March 2010. The Energy Act (2008) establishes a fit-for-purpose consents regime for offshore facilities; the first Gas Storage Licence under the Energy Act was issued in February 2010, for a major new gas storage project in the Eastern Irish Sea that will be completed by winter 2014. These reforms should facilitate faster and more effective consents regimes for the additional gas supply infrastructure that we shall need. In addition the Government

confirmed, alongside Budget 2009, that the cushion gas, required to maintain pressure in most gas storage facilities, is eligible for tax relief.

75. The Review highlighted the risks arising from increasing dependence on imported gas in an uncertain world. The Government continues to test the system with periodic risk assessments, including the impact of external risk events. The most recent assessment tested a number of scenarios, including:

- a loss of the UK's largest gas storage facility for a whole year, including a severe winter;
- a loss of the UK's largest gas import terminal for a whole year, including a severe winter;
- a loss of the UK's largest source of imports for a whole year, including a severe winter; and
- combined shock for a whole year (for example, loss of Bacton terminal and loss of Russian gas through Ukraine), including a severe winter.

76. The conclusion was that our gas system is highly resilient. The assessment is summarised in detail in the Government's Gas Security of Supply Policy Statement.

77. However, in a changing world, with declining indigenous gas production and a transition to a low carbon economy, it is important to be robust to future uncertainties. The Gas Policy Statement therefore goes on to consider a number of potential regulatory adjustments. These include:

- enhancing information flows to enable a stronger strategic direction from the Government;
- enhancing information flows to improve market responsiveness;
- enhancing financial incentives within the balancing regime;
- strengthening supplier obligations around storage capacity and back up supply.

The Gas Policy Statement explains why the Government is not pursuing the idea of Government-commissioned gas storage.

78. Against the background of the preceding discussion, the Government has the following comments on the specific recommendations of the Review concerning gas.

- 79.** *“Support for companies seeking long-term supply agreements with overseas suppliers”*: The Government agrees that it is important to ensure a positive environment for companies looking to conclude long-term supply agreements with overseas suppliers. The Government has been proactive in this area, working with other Governments to strengthen bilateral relations and to identify and remove avoidable trade barriers; and, where this will help, putting in place bilateral treaties (such as those with Norway and the Netherlands which have underpinned, respectively, the Langeled and BBL pipelines). It will continue to be proactive in the future, as it has in the past.
- 80.** *“Information about contracted supply levels”*: DECC is asking Ofgem to work with the Government to examine the scope for and the costs and benefits associated with improving information which would further enhance the Government’s ability to provide strategic guidance, for example by requiring shippers/suppliers to inform the Government (DECC/Ofgem) on how they will meet their customer demand in each forthcoming winter.
- 81.** However, the relationship between long-term supply contracts and security of supply is not straightforward. Contracts cannot guarantee that physical gas will be delivered to the UK while (conversely) the absence of contracts does not mean that gas will not be delivered here. Contracted gas can be (re)sold on the spot or on forward markets, either before or after delivery to the UK; it can be exported to other markets; and gas contracted to other markets can be diverted to North West Europe and to the UK. As international gas markets develop and increase in sophistication, these flexibilities are likely to be increasingly important.
- 82.** *“The supplier obligation and Ofgem’s Project Discovery”*: The Government continues to take Ofgem’s consultation on Project Discovery into account, alongside other ongoing work by major stakeholders and commentators, in its ongoing work on maintaining secure and affordable energy supplies. The Gas Policy Statement considers a number of ideas for maintaining security of supply that could be embodied in Public Service Obligations, including obligations on suppliers.
- 83.** *“‘Further measures’ if anticipated commercial storage developments fail to materialise”*: 22 commercial gas storage projects could quadruple GB’s gas storage capacity by around 2020. The Government initiatives outlined above (Planning and Energy Acts, tax relief for cushion gas) should help these to go forward. The Government will continue to monitor closely the progress of individual projects, in case any further barriers emerge that require Government intervention.

Review recommendations: Enabling the Government to track and act upon changes in international energy security

(referring to pages 118-119 of Review)

- The Government should identify meaningful indicators which will enable it to establish whether the international energy picture is improving or worsening, with respect to UK and EU energy security in particular. The indicators should, inter alia, address the Government's efforts to diversify the UK's energy imports.
- The Government should establish a process for annual review of this analytical material and other reporting, to establish clear cross-departmental agreement on priorities for action, and make recommendations for structured Ministerial engagement including, where appropriate, Prime Ministerial and Royal engagement, including identification of the priorities for Ministerial visits in support of energy security objectives. This review should be chaired by DECC and include FCO, Cabinet Office, HMT, DfID, ECGD and the intelligence agencies, and others as necessary.
- Within the context of the National Security Strategy, the significance of energy security as a source of risk in relation to the other key drivers of national security should be assessed regularly. The right forum to consider this issue appears to be the Ministerial Committee on National Security, International Relations and Development, taking advice from the Sub-Committee on Environment and Energy.
- The Government should examine the case for a new Office for International Energy Security bringing together more closely those working in different Government Departments on these issues.

Government response

- 84.** The Government accepts these recommendations. It will establish a suite of relevant indicators for developments in international energy markets and track these over time, ensuring that these cover the range of fuels in the energy mix, and work in international fora to promote better data gathering and sharing. It will build on existing work with other countries including in fora such as the International Energy Agency to develop a shared international understanding of the situation.

- 85.** The Government agrees that it makes sense to enhance cross-departmental governance arrangements to ensure the security of our future supplies and establish the priorities for action, including through Ministerial engagement. The Government is not convinced of the case for establishing a new Office for International Energy Security at this stage. It has, however, established a cross-departmental International Energy Committee, jointly chaired by DECC and FCO at Director-General level, to provide a mechanism for improved senior level coordination of international energy policy and activity across government. This Committee will report regularly to the Secretary of State of Energy and Climate Change and the Foreign Secretary. Strengthened Ministerial oversight will be provided through existing mechanisms and include an annual assessment of the international situation. The Government will provide a strategic assessment of energy security issues within the context of an annual update of the National Security Statement. This will build on the analysis of the indicators, which we are developing, and other reporting. The Government will keep under review the effectiveness of these arrangements, with the aim of ensuring that the overall impact of work across government on international energy security is maximised in a cost-effective way.

