

Comments by The Rt. Hon Lord Howell of Guildford, former UK Energy Secretary and Chair of the Advisory Board of Crystol Energy, on Future Energy Prospects and Prices; at the Arab Banking Association. 5.30pm October 6th2022

- 1) We are in the midst of media hysteria about energy prospects , with columnists and economists contradicting each other about policy, inflation and taxation and public spending. Balanced middle ground has been abandoned, both here and in Europe and especially in the USA. However, the new UK Prime Minister's (Liz Truss) comments in today's Times indicate a welcome and constructive improvement in UK relations with all EU neighbours in facing common energy supply problems. Interconnectors will be the key in preventing winter shortages and gas supply cuts.
- 2) Energy prices are trending down, despite spikes and extreme volatility , while OPEC ,now seeing recession ahead, are desperately trying to flex muscles by quota cuts. But muscles too weak and impact on price proving small. So inflation from global energy prices (certainly oil and maybe gas, depending on several things, such as Putin, Norway, US LNG etc) will wind down sooner than expected next year. And anyway longer term demand trend is peaking and pulled down by oil intensity falling.
- 3) No-one knows how Russia/Ukraine will work out or when. But All gas supply contracts with Russia while Putin (or any other hardliner) is still in office are now completely unreliable. The likelihood of use by Putin of a small nuclear weapon, to clear space between Ukraine forces and the 'annexed' Donbas region is increasing, with China deeply concerned at losing restraining influence of the Russian leader.
- 4) The current UK domestic reaction is badly distorted . Public spending and borrowing is now at maximum tolerable because of Covid furlough money and energy price emergency subsid have pushed borrowing to the prudent limit. So whether or not proposed tax increases are delayed or taxes actually cut, a major curtailment of all public spending is now inevitable to restore balance.
- 5) This should be done by cutting state functions, not just slashing all budgets. A systematic questioning and curtailing of all functions in all Departments, central and local, is required, similar to techniques

developed by the US Office of Management and the Budget. Nothing to do with 'Left' or 'Right' as so many ill-informed professors, commentators and MPs keep claiming. If energy-drive inflation comes in at lower than forecast it should weaken wage demands/strikes, and reduce Government spending (and borrowing needs) very substantially.

- 6) On Climate concern , as world emissions continue to rise and depart still further from Paris targets ,policy-makers have at last realized that Net Zero,if achieved, will **not** cut emissions nearly enough and big new carbon absorption initiatives are needed. e.g (Morocco's solar 10GW cable project to UK, and new world-wide Climate Recovery Zones etc). COP 27 will require major upward revision in global initiatives to halt severe climate violence.

ENDS