

Lord Howell of Guildford
Behind the energy price disaster
speech to House of Lords 03.02.22

My Lords, I declare an interest in energy price-related issues, as in the register.

My brief contribution to this superbly timed debate—it really is perfectly timed—will be more about preventing the reoccurrence of this problem, which otherwise will hit us again and again, than the immediate amelioration which is certainly needed. No doubt we shall hear from the Government about what is proposed to prevent widespread suffering and address the real fear in many households, and disruption throughout key parts of industry, when energy prices go super-volatile as they are doing now.

There is a simple—perhaps over-simple—one-word answer to the question of what we can do to prevent recurrence: **back-up**. We are in the midst of a gigantic energy transformation which is the biggest for over 200 or 300 years, perhaps bigger even than the Industrial Revolution. It is a fundamental reorganisation of our entire energy system into a new pattern. This is huge, and no system—certainly not ours in the UK—will work without the full availability of fall-back energy supplies, 24/7, which can kick in when the inevitable disruptions, breakdowns and crises occur. It does not matter whether we talk about green energy or traditional fossil fuels: there will be, as there has been in the past, occasional and sometimes devastating interruptions, and that is why we must have full back-up facilities in place. Do we have them?

What reliable back-ups have we planned if power supplies from renewables falter, as they did the other day? We have ruled out coal. Obviously, that is the right thing to do but frankly, I am afraid that it will not make any difference to rising emissions worldwide or to climate control, because of course the main coal emitters in Asia are roaring ahead.

They are putting development and escape from grinding poverty first – and frankly they can do no other.

There are 8,200 coal-fired stations in the world, all puffing fumes into the air, and several more are being built despite the Glasgow undertakings that they would not be. So, coal will continue to drive emissions upward, but at least we can demonstrate our good intent by closing it down here. So that is that—although I note, slightly cynically, that to keep the lights on in Glasgow and the COP conference going, they had to open up a couple of coal-fired plants.

As for gas, investment in more gas is being strongly discouraged. It is an amazing thought that years and years ago, when this country, or the Government, had the mixed blessing of

having me as their Energy Secretary, 1% of our electricity came from gas, and even that was resented by Sir Denis Rooke (boss of British Gas) and others.

Now it is running at roughly 43%, although I note that last week as much as 55% of our electricity was coming from gas. That is dangerously high. I remember being at a dinner in 1979 (in the German Embassy here in Belgrave Square) when Helmut Schmidt revealed to Mrs Thatcher that Germany was going to rely on Russia for a quarter of its gas—just a quarter.

She said, “Helmut, you’re crazy: this is going to lead to terrible trouble”. He replied, “, My dear Margaret, don’t worry. Communists are reliable business partners , and it will all be all right.”

Well, It was not all right – or at least not alright when the Communists departed and the oligarchs and Russian mafia took over.

Then we come to the big one, the once all-powerful and all-dominant oil age, which Governments and climate battlers want to ‘consign to history’. Now we are discouraging pensions from investing in oil and trying to run down our international oil companies, so we are handing the ball back to OPEC there, and of course we will feel the rough edge of that as petrol and oil prices continue to go whizzing up.

Then there was the greatest of all low carbon power sources as a back up. We had high hopes in my time of building a reliable and solid back-up system through modern nuclear power. That was the plan. We aimed for nine PWRs and only got one built, but the world moved on and oil and gas were cheap, so we managed to get by with just the one new nuclear station - at Sizewell B.

Now we are trying to revive our nuclear replacement programme and I am not at all happy about where we are going. It seems that we are at a Y-fork in the road in the development of civil nuclear: between large-scale repeats such as Hinkley or maybe like Sizewell C, and going for SMRs which, according to Rolls-Royce, could be produced at about the same time.

That is a momentous moment of choice and I hope that the Government get it right because, if they do not, we will end up with a lot of further disappointments and difficulties and a lack of the low carbon back-up that we need to get anyway near Net Zero, and we need anyway to stabilize the system, or we will have to work out how to extricate ourselves

In particular, I have to note that getting out of large-scale nuclear building greatly increases the chances of attracting private capital, which we will never get into the big-scale stuff, even with the proposed reforms in financing systems, is made 10 times more difficult by the fact that, of course, we are deeply involved with the Chinese.

Somehow we will either have to accept continued Chinese involvement in Sizewell C, Hinkley Point and other newbuild nuclear projects, (including an all-Chinese one at Bradwell), or extricate ourselves smoothly (, by means not yet revealed,).

The latter demands huge diplomatic skills if it is not to bring the whole house of cards down and put paid to our whole nuclear fleet replacement and updating. That would undermine not just our attempt to build a resilient national power system for the 21st century (now obviously lacking) but also our entire decarbonising ambitions

ML, I am afraid that what I have said is slightly gloomy, but if people just hang on to the word “back-up” they will understand that we can save ourselves from the horrible volatility of price, now being experienced. Behind the volatility, of course, comes the prospect of actual outages and blackouts. To fight these off our ‘survival’ priority has to be a truly resilient and diverse power system, with a big block of reliable nuclear power underpinning it. We must have energy security – in the digital/electric age more than ever.

That is the big and central lesson of the present energy price explosion, and the accompanying cost-of-living crisis.

I am not sure it has yet been learned.
