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Securing a green legacy for the UK

The global race to net zero is well and truly on. The UK faces a pressing need to make our energy supply affordable and secure again, and it is for this reason that we must hasten the transition to a low-carbon economy and energy system. The past year and a half have proven to us that fossil fuels offer volatility and insecurity while transitioning to clean energy will bring sustainability in every sense of the word. Oil, gas, and coal are on their way out, and low-carbon energy has well and truly arrived.

I am incredibly proud that it is a Conservative government which has taken up the mantle in tackling some of the greatest challenges we have faced in decades. In the four years since I was elected to represent my constituents on Ynys Môn - the island of Anglesey in Wales - it is the Conservatives that have demonstrated global leadership by rolling out vaccines to fight Covid-19, delivering on our legally enshrined 2050 net zero target, and by spearheading the response of the democratic world to Russian aggression in Ukraine. The latter two are intimately connected; without our hard work and investment in scaling up renewables, it would have been that much harder to wean our European neighbours off Russian gas.

As conservatives, we have a moral obligation not to squander our natural inheritance and to leave the world in a better state than we found it for future generations. Conservatism also means pragmatism - dealing with the world as it is, not as we want it to be. A pragmatic approach means facing up to the basic fact that the age of fossil fuel dominance is over, and we are entering a new era of low-carbon energy.

The weaponisation of oil and gas markets against democracies has certainly catalysed the transition away from fossil fuels. BP is projecting that global oil demand has already peaked and will soon start to decline, echoed by the International Energy Agency's assertions that natural gas is now following suit.¹ Although Europe is also diversifying its gas supply in favour of American, Qatari, and Australian liquefied natural gas, little doubt now remains as to which way the wind is blowing. Debates about future oil and gas licensing miss the key point: clean energy is now cheaper and more secure. As we scale up nuclear and renewables, oil and gas will inevitably decline.

However, we must remember that the original reason that the UK led the way on low carbon energy was to tackle climate change. It still looms large as a serious threat to our economy and security.

The Office for Budget Responsibility has stated that the cost of remaining reliant on gas and failing to reach net zero would hit taxpayer and government finances twice as hard as hitting net zero.²

It would be folly to risk betting the house on adaptation alone when we can make our strategy much more effective by pairing it with investment in cleaner and more efficient technologies to mitigate climate change. We should not downplay the role that fossil fuels have played as building blocks in the UK's history, but times have changed. Gas is no longer the economic mainstay it once was; if we do not now fully embrace the energy transition, we run the very real risk of being left in the dust by other advanced economies who do so. We should not risk gambling our future by continuing to depend so heavily on fossil fuels when we have such a natural advantage in generating low-carbon energy.

Wales, where my constituency of Anglesey lies, was once hailed as a coal superpower: it powered the Industrial Revolution and fuelled the Royal Navy. Coal has rightly nearly been phased out of our economy due to its especially negative impact on the climate. But we should now seize our opportunity to contribute to the UK's economic growth and security by providing clean, cheap, low-carbon energy.

On Ynys Môn - once called the 'Mother of Wales' and now known as 'Energy Island' - thanks to tireless campaigning by myself and my constituents, we have projects in the pipeline spanning tidal, solar, offshore wind, battery storage, and nuclear to boot. This is to say nothing of the Celtic Sea, down the coast from Anglesey, with its enormous potential to harness the power of Atlantic winds with floating offshore turbines. Whereas the North Sea is home of the world's largest offshore wind farms, hosting an abundance of vast caverns in which we can sequester carbon, and a prime destination for investment into clean hydrogen.

The government has a stellar record in promoting low-carbon energy through policy and fiscal support. The introduction of Contracts for Difference in 2014 has overseen a doubling of offshore wind capacity.³ This scheme will save the taxpayer an estimated £10.5 billion by 2027.⁴ The recent launch of Great British Nuclear and the additional £157 million⁵ of funding was welcome news to all those who believe nuclear represents a fantastic opportunity for economic growth and energy security, not least myself and my constituents. Ynys Môn is home to the Wylfa nuclear power station, which is crying out to be repowered. The jobs and growth this would bring to Anglesey would ensure it is able to live up to its proud history of supplying low-carbon, reliable power to the UK.

The government must build on this strong record and put in place further policies to unleash private capital to drive the energy transition forward. The scale of the US Inflation Reduction Act and the EU's Net Zero Industries Act means that the UK cannot go toe-to-toe in a subsidy war. Instead, we should focus relentlessly on supply side reform to make the UK a more attractive place to invest, making the most of our abundant natural resources.

It would be remiss not to make the most of our brilliantly skilled workforce in the energy sector. In the UK, oil and gas firms have played host to a wealth of talented workers over the decades, and it is imperative that the transition does not pull the rug out from under their feet. But to tie their expertise to a declining sector would risk wasting this valuable human resource. Ninety percent⁶ of those who work in the oil and gas sector are well-positioned to transfer their skills to industries such as offshore wind, meaning we can avoid reinventing the wheel when it comes to training and upskilling. Offshore wind represents a golden opportunity to do so. The UK has some of the windiest seas in Europe, making it a world-class location to deploy clean, homegrown, renewable power. A favoured sector for oil and gas professionals who leave their field, offshore wind now has

the potential to produce more energy than North Sea oil and gas for a fraction of the price.⁷

This is to say nothing of Anglesey's long-running advantage when it comes to the UK's nuclear skillset. At the Wylfa power station, workers built up a wealth of knowledge begging to be put to good use in the UK's nuclear renaissance. We must not waste the time and money that has been invested into developing these skills over decades by giving them an outlet with new nuclear at the former power station site.

At the start of 2023, the Prime Minister set out five objectives for the government: halve inflation, grow the economy, bring down debt, slash NHS waiting times, and tackle illegal migration in the English Channel. The government should view the need to transition away from oil and gas as an opportunity to achieve at least three, if not more, of these goals. Bringing cheaper sources of renewable energy online faster, moving away from the marginal gas pricing model in our electricity markets, and insulating homes will cut energy bills and reduce inflation.

To make attracting this investment as easy as possible, the Treasury should use tax incentives and fiscal policy to make low-carbon energy more lucrative for investors. The government's new full expensing policy, by which firms can deduct 100% of their investment costs from their corporation tax bill, will help make clean energy cheaper. But the tax break is set to end in three years' time, causing many companies to hesitate before investing. Planning and approval processes take several years, and making full expensing permanent would give businesses some long-term certainty and make the UK more welcoming to green investment.

Ofgem's current remit in the Electricity Act 1989 prevents investment in the grid ahead of demand in order to keep short-term costs down. But this risks an inefficient transition which would

result in higher bills in the medium to long term. The Department for Energy Security and Net Zero (DESNZ) has taken the welcome step to update Ofgem's statutory advice to allow more anticipatory investment and include net zero in its remit. Ofgem now needs to change its approach accordingly - this is particularly important for investment in transmission infrastructure to get power from the wind turbines to people's homes and businesses.

However, there are still other planning and regulatory barriers that stand in the way of upgrading our national grid and moving our energy system away from fossil fuels. The Energy System Operator (ESO) has brought forward sensible measures to reduce problems with the grid connection queue, which is seeing some of Anglesey's projects having to wait until the 2030s to connect.⁸ However, there is only so much the ESO can do; DESNZ must produce a new planning policy statement and boost funding for the planning bodies that deal with requests. This will help us to both electrify faster and reduce our dependence on fossil fuels.

This period will go down as a turning point in the history of energy due to the Russian invasion of Ukraine, and the government should make sure it puts the UK firmly on track to regaining our energy sovereignty. Relying on dwindling reserves and increasing imports of oil and gas will fail to restore our energy security. This is a transition, and security will remain the priority to keep our homes, businesses, hospitals, and schools running. Only by transitioning to clean energy can we do so affordably and sustainably into the future.

ENDNOTES

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