Rectifying the incompatibility between the UK's energy and climate strategies

*The UK's government and oil companies are on a collision course with international efforts to avoid dangerous climate change, writes **Bob Ward**. Remedial action is necessary to keep the Paris Agreement's 1.5-degree temperature goal in sight.*

This article is part of a series by LSE's Grantham Research Institute on Climate Change & the Environment (visit website).

With the publication of the *British Energy Security Strategy* on 7 April 2022, the UK government responded to concerns about the supply of fossil fuels following Russia's illegal invasion of Ukraine. Unfortunately, the Strategy reveals too that the Government has caved in to lobbying from the oil and gas industry to encourage more development of new offshore reserves.

The Strategy states that "to reduce our reliance on imported fossil fuels, we must fully utilise our great North Sea reserve, use the empty caverns for CO_2 storage, bring through hydrogen to use as an alternative to natural gas and use our offshore expertise to support our offshore wind sector". It claims: "There is no contradiction between our commitment to net zero and our commitment to a strong and evolving North Sea industry. Indeed, one depends on the other."

Among the specific pledges are a new licensing round in the autumn for offshore oil and gas exploration and production, and the creation of 'gas and oil new project regulatory accelerators', "to provide dedicated, named project support to facilitate the rapid development of projects", which the Government says "could take years off the development of the most complex new opportunities".

Undermining climate leadership

Clearly, the Government's support for further development of oil and gas is at odds with its international leadership on climate action. One of the central aims of its presidency of the 26th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, or COP26, has been to highlight the need to limit the rise of global mean surface temperature to 1.5°C above the pre-industrial level. Indeed, COP26 President Alok Sharma emphasised the importance of the target in a speech in August 2021. He said that "we do need to follow the science, take action this year and make sure at COP26 we are able to credibly say that we have kept 1.5 degrees alive", and that to fulfil the temperature goal, "we must halve global emissions by 2030, and reach net zero emissions by mid-century".

However, Mr Sharma failed to refer to the flagship *Net Zero by 2050* report published by the International Energy Agency just a few months earlier, in May 2021. In outlining a pathway to net zero emissions by mid-century, that report was unequivocal in concluding: "Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway, and no new coal mines or mine extensions are required."

The IEA continues: "The unwavering policy focus on climate change in the net zero pathway results in a sharp decline in fossil fuel demand, meaning that the focus for oil and gas producers switches entirely to output – and emissions reductions – from the operation of existing assets."

The UK government has simply refused to confront the incompatibility of its domestic policy on fossil fuels with the IEA's analysis. This disconnect is revealed further in a letter sent to the oil and gas industry in April 2022 by Kwasi Kwarteng, the Secretary of State for Business, Energy and Industrial Strategy, in which he called on companies to "set out how you will reinvest profits, double down on investments in the clean energy transition and importantly accelerate and maximise domestic oil and gas production". Mr Kwarteng also wrote: "We need to collectively show the British people how the success of our offshore oil and gas sector has a direct and enduring benefit to the British economy and people's jobs and livelihoods in order to protect the North Sea as a major UK energy asset for decades to come."

When Rishi Sunak, the Chancellor of the Exchequer, announced a new Energy Profits Levy on 26 May 2022, he was keen to stress that companies would be able to offset their investments in exploration and production. An accompanying Fact Sheet published by the Treasury indicated that "a 'super-deduction' style investment allowance will be introduced within the levy to provide an immediate incentive for the oil and gas sector to invest in UK extraction".

Urging a change in course

At the Grantham Research Institute we have argued that the UK government must confront the inconsistency of its policies in evidence to an inquiry by the House of Commons Environmental Audit Committee on 'Accelerating the transition from fossil fuels and securing energy supplies'.

Our evidence points out that the UK government's policies could lead to an excess supply of fossil fuels globally over the coming decades as demand falls in response to climate policies. This could result in fossil fuel prices being suppressed, but also creates a risk of stranded assets in the North Sea, where the operating costs are markedly higher than in other hydrocarbon basins.

Our evidence states: "It could be expected that the UK, as COP26 President, would recognise the inconsistency of its current policies. It could, for instance, convene a meeting of the countries that produce fossil fuels to discuss how existing reserves might be managed and remain unexploited in line with the stated ambition to limit global warming to no more than 1.5°C. In principle, the UK could develop new oil and gas fields without undermining the 1.5°C target if it was able to persuade other producers to leave some of their current reserves in the ground."

With less than five months of its Presidency of COP26 now remaining, the UK government is running out of time to resolve this fundamental flaw in its international leadership on climate change.

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Notes:

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