

Environment APPG briefing: Energy Bill – Second Reading

9 May 2023



Background

As the first piece of legislation to be passed by the new Department for Energy Security and Net Zero, the [Energy Bill](#) is a great opportunity to reduce emissions and help the UK meet its climate commitments, improve energy security, and “create the economy with the cheapest wholesale electricity price by 2035”, as [set out](#) by the Secretary of State for the new Department.

The Energy Bill began its passage in the House of Lords and Second Reading in the House of Commons will take place on May 9th, 2023. This briefing will set out some key lines to take for the Second Reading debate – and the key areas of concern for the Environment APPG.

What the Energy Bill does

The Energy Bill puts on a legislative footing several policies set out in the Government’s [Energy Security Strategy](#) and [Net Zero Strategy](#) aimed at transforming the UK’s energy system, including by:

- Incentivising the development of carbon capture and storage using regulation and long term financial support. CCS has potential to decarbonise processes such as cement making, and back-up gas-fired power generation;
- Providing long term support for storage and supply of energy in the form of low-carbon hydrogen, which might also support decarbonisation of industrial processes;
- New mandates, standards and regulations for low carbon heat, including the roll out of heat pumps, district heating networks and powers for trials of hydrogen in domestic heat production;
- Providing for the resilience of oil supplies, habitat protection and pollution management, and taxpayer recovery of decommissioning costs.
- Technical changes, including powers to improve Energy Performance Certificates to improve both the way in which both the energy efficiency and carbon emissions of homes are reported.

The Government Energy Bill factsheet can be found [here](#). Details of Lords amendments to the Bill can be found [here](#).

What more the Energy Bill could do

Give energy regulator Ofgem a net zero duty

- Currently Ofgem’s only climate duties are limited to the reduction of electricity/gas-supply emissions, rather than wider aspects of the energy system that could help achieve net zero or interim targets. The current system also favours electricity coming from Europe, rather than wind farms built in the UK’s windiest areas, with EU electricity generators paying 16 times less in transmission charges to send their energy to England because of a lack of grid infrastructure. More grid infrastructure is needed to connect cheap renewables to the grid.
- A net zero duty is recommended by the CCC, the NIC, House of Lords industry and regulators committee, the government’s “offshore wind champion”, the Skidmore Net Zero Review, Energy UK, Renewable UK, Energy Networks Association, and [Ofgem’s own chief executive](#)

[Jonathan Brearley](#) has said that he can see benefits in defining a net zero duty for Ofgem in statute.

Stop more energy price rises by removing the hydrogen levy from consumer bills

- The energy bill proposes a new levy on consumer bills to fund hydrogen development. This would add costs to household bills, when energy bills are already at record highs and expected to stay high for some time, and without providing any direct benefit to domestic energy consumers.
- Hydrogen is not a feasible home heating option for the vast majority of UK homes, a position which is supported by the CCC, Lord Callanan (Minister for Energy Efficiency), and [18 independent studies since 2019, including by the IEA, IPCC and McKinsey have ruled out hydrogen playing a major role in heating buildings.](#)
- Hydrogen can be a climate solution, but is hard to decarbonise sectors where cheaper and more effective low carbon alternatives are not an option. It's important that the use of hydrogen is properly managed and directed towards sectors where there are few alternatives – and paid for fairly.

Improve energy efficiency by raising the minimum energy efficiency standards in the private rented sector from EPC E to EPC C by 2028

- Delivering energy efficiency in homes is one of the few near-term actions that can be taken to reduce dependence on gas. Without action on housing and buildings, there is no plausible path to achieving the [fifth carbon budget](#) or meeting the 2030 statutory fuel poverty target.
- Currently, landlords can rent out properties with an energy efficiency rating of 'E'.
- The UK Government consulted on proposals for revised Minimum Energy Efficiency Standards (MEES) in the private rented sector in September 2020, but are yet to respond to the consultation. The consultation suggested that all rental properties be brought up to EPC Band C by 2028.
- According to Citizens Advice, higher energy efficiency standards would save the average tenant £570 per year and would produce aggregate annual savings of £1.75bn. At the same time, landlords will benefit financially in the long-term with upgrades found to increase a [property's value by up to 14%](#).

Bringing forward the ban on routine flaring and venting in the North Sea to 2025 from 2030

- Methane is a potent greenhouse gas, 80 times more powerful than carbon dioxide over a 20-year period.
- Routine flaring and venting from oil and gas operations are a major contributor to the UK's methane emissions
- The Environmental Audit Committee called for routine flaring of unwanted fossil gas to be banned no later than 2025, as it has been in Norway since 1971. This recommendation was also included in the Independent Net Zero review, and the CCC has described the current voluntary 2030 date for a ban as 'unambitious'.
- Bringing forward the ban on unnecessary flaring could slash the UK's potent greenhouse gas emissions, and reduce energy waste ([enough to power 700,000 homes](#)).
- In 2021, oil and gas operators in the North Sea threw away around 29 billion cubic feet of gas.

General lines to take on the Energy Bill, energy security and net zero:

- The war on Ukraine by Russia has led to a record spike in gas prices, driving energy inflation and cost of living pressures in the UK.
- The UK does not control the price of gas, as it is sold by private companies on international markets.

- The UK is a [net importer of energy](#), and has been since 1998.
- Only around [50% of our gas consumption](#) is provided by the North Sea.
- Most of our oil is unusable in the UK and is exported ([around 70%](#)).
- The UK is heavily dependent on gas for energy, with 85% of homes using it for heating and more than a third of electricity supplies coming from gas power plants.
- The clean energy transition means a more resilient energy system which is not reliant on imports from foreign petrostates; instead building more domestic wind, solar, nuclear and hydrogen.
- The UK is a windy island nation, and well placed to harvest natural renewable energy resources, such as fixed offshore wind, floating offshore wind, tidal, as well as storing carbon in our disused oil and gas assets.
- The UK is expected to be a [net exporter of electricity by the middle of the decade](#) via interconnectors to the European continent, helping to power our European neighbours and improve our balance of payments.

What do voters think?

- Polling by [Ipsos Mori](#) showed that a majority of Britons, 71%, supported greater investment in renewable energy in the UK, compared to just 7% who actively opposed it. In the same survey, a slim majority (51 per cent) supported ending investments in coal, oil, and gas projects abroad.
- According to public opinion polling [by Public First](#), 76% of people support government funding for energy efficient upgrades to homes, whilst just 10% oppose.
- Research by [Bright Blue](#) also found high public support for offering financial subsidies for installing better home insulation (69%), switching away from natural gas heat in homes (62%) and subsidising solar panels for homes (69%).
- The [UK Climate Assembly](#) supported a ban on sales of new gas boilers from 2030 or 2035 (86%), changes to VAT on energy efficiency and zero carbon heating products (68%), and to raise money through taxation and government borrowing (65%). In addition, 80-90% wind and solar power for electricity supply, compared to 34% for nuclear and 22% for fossil fuels with Carbon Capture and Storage