

With the energy sector now firmly in the crosshairs of governments across the world, cutting through the noise to work out what policy means in practice has rarely been more important.

Xtra Energy will share leading opinions and analysis from our Xodus Xperts on the latest goings on in the industry, helping you to get to the bottom of the issues that matter most ▶

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GB ENERGY IN ABERDEEN?

“2024 is turning out to be quite a year, but I think I’ve been saying that every year since we founded Xodus back in 2005.”

Steve Swindell, Chief Executive Officer

Globally, the geopolitical situation is complex with conflicts across two key provinces, an upcoming election in the US and another COP in energy rich Baku on the horizon. However, being based in our Aberdeen headquarters, at the forefront of my mind is the new Labour government and the big moves they have been making in association with energy.

After months of speculation, it looks like Aberdeen is the frontrunner to be the home of GB Energy, Labour’s flagship energy company. Despite stiff competition from other Scottish cities, namely Glasgow and Edinburgh, industry sources say that the Granite city has been selected after vociferous campaigning from industry bodies citing the region’s infrastructure, skills and people.

The opportunity for GB Energy is to gather consensus and facilitate the transition to renewable energy, rather than drive a wedge between fossil fuels and renewable energy, and that is why we support the decision to house it in Aberdeen.

The first major statement of what GB Energy will actually do in practice came on July 25, when it was revealed that British seabed owned by the Crown Estate will be used to help build wind farms. This applies to English and Welsh projects only, but it is believed that Labour is in discussions with ScotGov about Scottish projects. This alliance will hopefully see the government sharing the burden of early phase development work – crucially this means there is the potential to speed up the development phase of wind farms. We have seen this approach be successful in other countries such as the Netherlands and it should give developers the certainty they need to invest.

GB Energy is far from a silver bullet. We welcome its creation, but we mustn’t let it distract from the reality of the situation. Research released in June revealed that the UK needs to triple the rate at which it installs offshore wind farms if we are to hit the government’s 2030 target of 50GW operational. In the same time frame, there is an ambition to capture between 20-30MtCO₂ per year and to have up to 10GW of hydrogen production capacity – progress on both currently sits at or around zero. GB Energy will need to be established at pace and will need to work hand in glove with industry if it’s going to have time to make a meaningful impact.

There is also a real risk that the current rhetoric around oil and gas will drive away the supply chain that a successful energy transition hinges on. And that’s before we consider the current fiscal regime. North Sea operators are still assessing the impact of the Energy Profits Levy (EPL) increasing from November and the effect it will have on the profitability of their projects.

Setting up in the north-east would appease many in the region at a time when the oil and gas industry feels hard done by. As a business with roots firmly in Aberdeen – and a responsible energy future at its core – Xodus would welcome GB Energy’s HQ in Aberdeen, so let’s hope the rumours are true ■



A MONTH WITH LABOUR – WHAT'S CHANGED?

Carla Riddell, Chief Strategy Officer

Just two months ago at the Global Offshore Wind conference the then shadow energy secretary Ed Miliband announced that his Labour was ready to act on day one to “unleash a wave of investment in clean energy”. In his first month as energy secretary, he has undoubtedly made good on this promise.

Within days, the de facto ban on onshore wind development in England was lifted. This was swiftly followed by the introduction of the GB Energy Bill in parliament, the appointment of former head of the Climate Change Committee, Chris Stark, to lead a new control centre to deliver a clean power mission by 2030, and the launch of the revised Allocation Round 6 (AR6) renewable energy auction.

Contracts for Difference (CfDs) have been the bedrock of government support for the scale up of offshore wind, but lower revenue support on AR5 meant no bids for contracts. It showed that further CfD reform is needed.

The new £500m boost for the next AR6 renewable energy auction, taking the pot to £1.5bn, is expected to make a difference this time. This is a clear statement of intent. But is this enough to deliver the ambition to double onshore wind, treble solar and quadruple offshore wind by 2030? A pathway of continued rapid expansion is required to reach the offshore wind sector target of 60GW capacity. It is not just investment directly into projects that is needed, but also government to prioritise the supply chain to address emerging bottle necks and skills shortages.

When it comes to the hydrocarbon-derived section of the UK's energy it's hard to look past the EPL, which was increased by 3% to 38% within 3 weeks of Labour being in power. As operators weigh up the impact of the levy on project viability, OEUK warned the raise “jeopardises jobs” in communities across the country. This tax change seemed to reach the finish line rapidly and “without meaningful engagement with this sector”.

Earlier this year I moderated a session at the All Energy conference exploring how the sector is ‘evolving through uncertainty’. The consensus from the panellists at that time was for the next government, whatever colour, to work with industry to achieve stability for investment and deliver the just transition that will provide the greatest value to the UK.

We currently run the very real risk of investors and employers exiting the UKCS, chasing the incentive advantages in other basins.

As a consultancy, we also chase certainty and stability. Naturally we target our growth and investments in people in the regions where we have the most confidence of future energy industry stability ■

“Anything that facilitates better collaboration is welcome, but it is equally as important that government creates a stable environment without surprises to capitalise on the UK's wealth of opportunity.”