

Briefing

Priorities for the new prime minister on energy and the environment

October 2022

Background

The UK is an international leader on environmental policy, remains COP26 president and is committed in law to net zero by 2050. Meanwhile, we are facing record energy costs and supply shocks due to volatile fossil fuel prices and the Russian invasion of Ukraine.

When the new prime minister takes office, there will be a series of decisions to be made on energy and environment policies in the first 100 days. This briefing provides Green Alliance's latest data, polling and recommendations, to advise the new prime minister and their government on what action to take.

Energy efficiency

The UK is exposed to high energy prices due to its dependence on gas for heating and power, driving up gas and electricity bills to record highs, and leading to expensive government interventions such as the [Energy Price Guarantee](#). Eighty five per cent of homes use gas for heating, meanwhile electric heat pumps are more efficient and [cheaper to run than gas boilers](#). The UK has some of the oldest and leakiest housing stock in Europe, with heat escaping through uninsulated windows, walls, and roofs. [Nineteen million households have EPC ratings of D or lower](#). Insulating homes can dramatically reduce gas demand in the short term, help to bring down energy bills permanently, whilst improving the UK's [resource resilience and efficiency](#).

Recommendation: The government should legislate to ensure delivery of EPC band C for social housing and privately rented premises by 2028, EPC band B for non-domestic premises by 2030 and EPC band C for the homes of those in fuel poverty by 2030. This should be [done through an immediate boost in energy efficiency funding](#), a public information campaign and expansion of successful schemes such as the Local Authority Delivery Scheme, to install more insulation, solar and electric heat pumps for households. Because this involves a large investment in the retrofit and heat pumps sector, government should design its programme to incentivise cost reduction, drawing on

lessons learned from successfully reducing the cost of renewables over the last decade.

Polling: Energy efficiency measures are supported by 85 per cent of Conservative members, and the majority of the public too.

Jobs: 300,000 jobs can be created, requiring technical skills across the country.

Environmental and social levies

Under the Energy Price Guarantee, environmental and social levies ('green levies') have been moved from consumer bills to government spending. The levies pay for insulation schemes for fuel poor households such as ECO, and they also pay for legacy renewables contracts which have increased our energy sovereignty. Levies (the majority of which were placed on electricity bills) are a declining share of consumer energy bills amounting to three per cent under a £3,300 price cap, or £153 per household on average.

Recommendation: Green levies should be kept off consumer bills until the cost of energy comes down. Taking the levies off bills will help shift costs via general taxation to the more able to pay, whilst incentivising clean heat alternatives like electric heat pumps, by reducing electricity bills comparative to gas. If reintroduced, green levies should be placed on gas, not electricity. In the long-run, the Government must urgently, through the Treasury-led review, identify a sustainable route to providing support on energy bills, especially to the most vulnerable in society, once the Energy Price Guarantee comes to an end in April next year.

Polling: Just 13 per cent of the public blame green levies for high energy bills, compared to 34 per cent who blame energy companies and 28 per cent who blame growing demand for gas around the world.

Jobs: At least 30,000 jobs are already supported by the ECO scheme.

Onshore wind

Onshore wind is cheap (£42/MWh at the last CfD auction), and its expansion can help make the UK more energy secure and bring down bills. For comparison, this is nine times cheaper than what the UK has been paying for gas during the energy crisis. Onshore wind can be built fast (within months) and can quickly reduce the UK's dependence on gas for power. The UK still gets around 40 per cent of its electricity from gas power, when it could be using cheap renewables like onshore wind instead. There is 5GW of onshore wind currently awaiting planning approval, which could lower electricity

bills. Doubling the UK's onshore wind capacity to 30GW by 2030 could see savings on energy bills of up to [£16.3 billion this decade](#).

Recommendation: The government should proceed with plans to expand onshore wind through the planning system, laying a written ministerial statement in Parliament to that effect. BEIS should also produce a clean power plan for getting to a 95 per cent zero carbon power sector by 2030 and 100% zero carbon by 2035. The plan should maximise the use of cheap renewables like onshore wind, including [expanding Pot 1 CfD GW capacity and funding](#).

Polling: [Eighty three per cent of the public support more onshore wind, including 80 per cent of 2019 Conservative voters](#). In fact, [87 per cent of voters](#) would have a wind turbine in their local area.

Jobs: More onshore wind would support 27,000 jobs (and [GVA of £45 billion](#)). Onshore wind supports [nearly four times as many secure, skilled jobs as gas](#).

Solar

Solar energy is low cost ([£45/MWh](#)) and can be rolled out quickly, on roofs ([in just one day](#)), industrial buildings, and in conjunction with productive farming. Many farmers, including in the National Farmers' Union, [back solar](#) as an important revenue stream. [Outdated biofuel crops use 77 times more arable land than solar](#). Plans to change the [grading of agricultural land](#) would effectively ban solar and threaten £20bn of private investment. There is over 7GW of solar awaiting planning approval, which can help bring down electricity bills. [4GW of projects](#) is being held up by National Grid and Distribution Network Operators, delaying connection dates into the 2030s.

Recommendation: Prevent an effective ban on solar and protect investor confidence by ruling out a change in the grading of agricultural land. Pot 1 CfD funding and capacity should be extended, whilst network investment should be brought forward by government and Ofgem.

Polling: [Seventy three per cent of Conservative members](#) support solar. [More than twice](#) as many people support than oppose solar near their home.

Jobs: Overall, solar supports [five times](#) as many secure jobs per megawatt of capacity as gas. Eighty per cent of jobs in the operation and maintenance of solar are highly skilled.

Offshore wind

Offshore wind is now the cheapest form of renewable energy ([£37/MWh](#)). The UK has 50GW of offshore wind planned, including 5GW of floating offshore. Upgrading the transmission networks will be necessary to get the power from

the coast to areas of demand as a priority and the current network charging system also penalises renewables projects situated further from demand.

Recommendation: Ofgem should be given a net zero statutory duty to speed up deployment of renewables. A co-ordinated offshore transmission network would also speed up the rate of deployment of offshore wind, [save consumers £3 billion by 2030](#) and minimise infrastructure needs including onshore landing points. The UK should increase its ambition for floating offshore wind from 5GW by 2035 to 15GW, capturing market share and driving jobs.

Polling: [Seventy nine per cent of Conservative voters support](#) more wind power, including offshore wind.

Jobs: Overall, offshore wind creates [five times as many secure jobs per megawatt of capacity as gas](#). The Ten Point Plan estimates [60,000 jobs](#) in offshore wind by 2030. Around 60 per cent of jobs in the operation and maintenance of offshore wind are highly skilled.

North Sea oil and gas

The North Sea is a mature basin with declining reserves and increasing overheads. More drilling in the North Sea can increase tax take, but it won't lower prices for UK consumers, as the [CCC](#) and the [secretary of state for BEIS](#) pointed out. The UK is connected to international markets and, therefore, subject to volatile prices. The recent energy profits levy raised the tax rate closer to [historical levels for the UK](#) of around 65 per cent. This is below the global average for oil and gas (70 per cent) and well below the level in Norway (78 per cent).

Recommendation: The levy should be extended beyond 2025, raised to match Norway's tax rate, and the investment allowance for oil and gas infrastructure removed to raise money to support households with the immediate cost of energy bills and to insulate homes. Matching Norway's tax rate of 78 per cent would raise an additional £6.6bn per year until 2027, when analysts expect oil and gas prices to decline.

Polling: The majority of the public back a windfall tax, including [66 per cent of 2019 Conservative voters](#).

Jobs: As a mature hydrocarbon basin, it is forecast that production from the UK Continental Shelf and investments in new developments will gradually decline over the coming decades. [Seven out of ten jobs](#) in the oil and gas industry have at least a partial overlap with low carbon skills and job descriptions.

Fracking

The 2019 Conservative Manifesto committed to a moratorium on fracking. Drilling has caused earthquakes registering [2.9 on the Richter scale](#). The UK is not Texas; we are a densely populated island with unfavourable geology. The sector's own best estimate suggest it could produce a maximum of five per cent of UK demand after five years, but the UK doesn't own the gas and it will be sold on the regional market to the highest bid. [Fracking for shale gas has higher associated emissions than conventional gas](#) and serious environmental concerns remain around pollution, including groundwater contamination and methane leakage. Reducing safety requirements to allow fracking would likely result in the government becoming embroiled in toxic litigation. At least 6,100 fracking wells would need to be drilled across the English countryside to replace even half of imported foreign gas.

Recommendation: Fracking is a red herring, and the UK should focus on electrification of the economy, not on further fossil fuel dependence. The government should recommit to a moratorium on fracking.

Polling: Recent BEIS polling found [45 per cent of the public oppose fracking](#), with only 17 per cent supportive. At the time of exploration, [66 per cent of Lancashire residents opposed fracking near their homes](#). [Only 5 out of 138 MPs](#) with potential shale sites in their constituency support fracking.

Jobs: The industry estimates around 60,000 jobs could be created, but this has not been independently verified and there is strong local opposition.

Land use

The government's principle of 'public money for public goods' moves away from the outdated EU system of payments based on land area farmed and should be the cornerstone of our post-Brexit farming system. Better environmental land management boosts nature, biodiversity, food security, carbon sequestration, [farm incomes](#) and provides better value for taxpayer money. The EU's scheme pays around two thirds of its budget to 20 per cent of farmers, without supporting them to reduce their carbon emissions or restore nature. By contrast, the Landscape Recovery strand of the Environmental Land Management scheme (ELMs) could support farmers on the least productive ten per cent of land to cut half the carbon emissions needed from the whole land system by 2035.

Recommendation: Defra's proposed equal three way funding split for ELMs should be maintained to ensure ambitious delivery of Landscape Recovery and Local Nature Recovery alongside the Sustainable Farming Incentive.

Polling: [The majority of Conservative voters](#) (52 per cent) back ELMs, with only 11 per cent opposed.

Jobs: Between 2015-2020, English farms in 'less favoured areas' (LFAs) lost an average of [£37,060 a year on food production when unpaid family labour was taken into account](#). In contrast, a farmer on a 50 hectare holding could enjoy an income of £28,000 a year with payments of £775 per hectare for habitat creation, if incentivised by a (voluntary) landscape recovery scheme. This payment rate is similar to that paid for habitat measures under the government's current countryside stewardship scheme.

Cumbria coal mine

The decision on this coal mine has been delayed until 8 November 2022. The mine would produce coal that, when burned, would produce [nine million tonnes of CO2 a year](#), more than the combined emissions from the entire cities of Edinburgh, Cardiff and Belfast. The CCC has called the mine '[indefensible](#)'. The coal is [not needed for UK steelmaking by British Steel](#) and would not displace Russian coal (which Tata Steel don't use). With European steelmaking moving away from coal, any jobs created by the mine (from around 2026) risk being short lived. The alternative is that the coal is shipped increasing distances to countries with more and more polluting steel industries that will still accept it.

Recommendation: The mine should not be permitted to go ahead.

Polling: [Forty six per cent of people feel negative about new coal mines](#), including 41 per cent of Conservative voters. More than three times as many people feel negative than positive.

Jobs: West Cumbria Mining say the mine will [create 500 jobs](#), but they are dependent on the coking coal being needed for steel. [According to the LGA](#), 6,000 green jobs can be created in Cumbria by 2030, with 600 in Copeland, the area where the mine would be built.

COP15 & COP26

COP15 is one of the most important global summits taking place this year. The [Aichi biodiversity targets](#) set in 2010 under the Convention on Biological Diversity (CBD) have largely been missed, and nature continues to decline

with more than one in five species globally at risk of extinction. It's estimated [77 per cent of the world's land and 87 per cent of the oceans](#) have been altered by humans, leading to a loss of 83 per cent of wild mammal biomass and half of the world's plant biomass. As COP26 president, building on the [G7 nature compact](#), and the [Leaders' Pledge for Nature](#), the UK should ensure that progress and momentum for nature is used to drive ambition at COP15. At COP27, as the UK Presidency comes to an end, the UK must continue to champion the need for an uplift in global finance to developing countries to make the transition from fossil fuels to renewables – and to adapt to an ever-changing climate.

Recommendation: The UK should boost ambition at the UN conferences, leading a [prime ministerial delegation](#). The UK should also ensure its own house is in order, with robust plans to deliver the commitment of 30 per cent of land for nature by 2030. Meanwhile celebrate the achievements of the COP26 Unit in Egypt and continue to mobilise the UK's diplomatic heft for climate action in the years ahead.

Green Finance Strategy

The Green Finance Strategy (July 2019) set out the government's plan to align the financial sector with net zero, mobilise private finance towards climate and nature, and capture opportunities for the UK. In October 2021, the government committed to updating it.

Recommendation: The update needs to be published in 2022 to complement the Financial Services and Markets Bill and outline how the government will use policy and regulation to de-risk and crowd-in private investment into emerging green markets. For instance, business models that promote reuse, resale and remanufacturing would benefit from a requirement for large, listed companies to [disclose scope 3 emissions from 2024](#). These requirements should be extended to more companies over time.

Environment Act

The Environment Act 2021 requires targets to be set by 31 October 2022. These targets and the refreshed [Environment Improvement Plan](#) will be guiding lights as we navigate the journey towards nature recovery. These should be top of the incoming government's list of environmental priorities, as targets will drive action to protect and restore our natural environment.

Recommendation: High ambition, exacting policy pathways and sufficient resources will be essential to ensure Environment Act targets help deliver the government's commitment to leave the environment in a better state.

Review of retained EU law

The government's review of retained EU law (REUL) presents an opportunity to improve the UK's environmental law. These laws encapsulate many important environmental and public health protections, such as the Water Framework Directive, food hygiene rules, and chemicals and pesticides regulations. However, the approach being proposed in the Retained EU Law (Revocation and Reform) Bill will be both costly and bureaucratic, and derail urgent action to tackle the nature and climate crisis. It must be rethought.

Recommendation: The REUL Bill should be withdrawn. The process of reviewing and amending retained law should be conducted transparently and with sufficient time to allow a full and rigorous approach with amendments to or removal of REUL taking place under conventional parliamentary procedures. A rushed process that lacks transparency would be unlikely to command parliamentary and public confidence and could inadvertently undermine food standards, hinder progress towards meeting the government's ambitious nature targets and diminish consumer trust in UK products.

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