

Speech to the British Institute of Energy Economics

by The Rt. Hon. Lord Howell of Guildford on completion of his nine year term as President.

October 16th, 4.30. Royal Society.6-9 Carlton House Terrace

During the nine years of my Presidency not one but three major revolutions have overtaken the world of energy – with immense consequences for the British energy scene , amongst others.

All three have been handled with varying degrees of skill and competence, all three are on-going and all three have been surrounded by a thick forest of misrepresentations, misunderstandings and sometimes outright myths.

The first revolution is of course the great green transformation to a low carbon world , misleadingly billed as relatively cheap but in fact turning out to be vastly expensive and very hard on consumers- especially in Europe.

The second revolution comes from shale gas and oil and greatly improved hydraulic fracturing methods. Even if this stayed only in America it would still have a fundamental impact on world energy. In fact it will spread patchily to very many countries and regions.

The third revolution- or more accurately, series of revolutions – has been in the downward spiral of chaos , upheaval and violence in the Middle East, hitherto regarded as the cradle of world energy reserves; labelled hopefully by some the Arab Spring but in fact turning out to be more a grim and continuing scene of division, bloody civil war and near anarchy

Interspersed with these events have been such disasters as the nuclear power flooding and melt-down at Fukushima Da'Ichi, the Macondo

oil spill , various acts of terror, new pipeline politics in Central Asia, instability in Venezuela, renewed turmoil in Libya and a host of other happenings.

Throughout all this storm of change the global energy system has just about held together and I hope it will continue to do so, although there are grave problems ahead , especially here in Europe and here in the UK .

On balance I remain optimistic that energy supply collapse can be avoided, that scares about peak oil and gas ‘running out’ are fading away and that new technologies will keep us roughly on track to our goals of reliable, reasonably cheap energy for all, combined with progress at a sensible pace towards greener energy patterns.

The biggest threats to a better , cheaper and cleaner power and energy future are;

- 1) The green transition will be pressed too fast and too clumsily, causing backlash and suffering and environmental damage.
- 2) The shale and oil gas revolution will be pressed too slowly, leading to retrograde reliance on coal-burning, unnecessarily high energy costs, and delayed new investment throughout the energy supply, generation and transmission chain
- 3) Even greater turmoil in the Middle East and Gulf Region, interrupting oil and gas supplies and setting back world economic recovery .

What impact will these dangers have on the UK/

We can already feel them: In the continued and growing uncertainty in the policy framework, which the current electricity market legislation in Parliament will do little to allay;

In the consequent severe lack of new energy investment and in the persisting rise in energy prices;

In the warnings of still higher prices and power interruptions, and in pressures for still faster closure of older coal stations, which will of course make the prospect of back-outs and the accompanying suffering even more likely .But surprisingly – given the present and mounting energy furore here at home - I regard the UK as exceptionally well placed to draw on abundant energy supplies of all kinds, fossil and renewable, if we can get our policy straight.

Even in the short term we can be saved from power shortage by more interconnectors to our neighbours – such as Norway, Ireland, Spain, Iceland – all of whom have masses of spare (and green) electricity to pour into our Grid . Laying the cables for this could be quicker and easier than arguing about new domestic sources and where to put them and who pays for them. -

The international political and economic scene is going through unprecedented change. The ‘Rest’ is fast closing the gap with the West, after centuries of lagging behind: total digital connectivity is transforming world diplomacy and relationships .

In this utterly changed new network world Britain now has the chance at last to take on a new role and to prosper .We must not allow energy weakness and confusion to hold us back from this promising path.

NB Lord Howell’s new book ‘*Old Links and New Ties*’ *Power and Persuasion in an Age of Networks*’ is published on November 4th .