EUROPE

UK

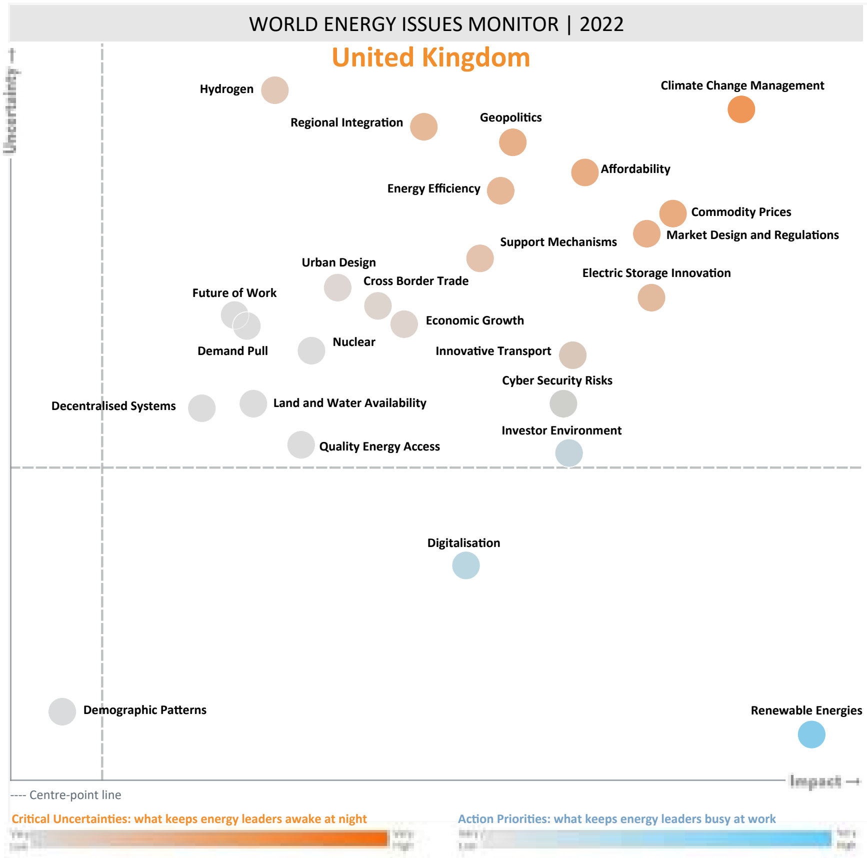
The UK Energy Issues Map has similar characteristics to the global map, with UK energy leaders identifying increased uncertainty across a large number of issues but placing very few issues in the action priorities domain.

The UK differs from most of the world in that Climate Change Management heads the list of critical uncertainties. There has been a UK government and industry focus on climate issues during the run up to the UK hosted COP 26, resulting in an improved awareness of the challenges and uncertainties in delivering the UK decarbonisation legal commitments. During 2021 the UK government published a Net Zero Strategy, an Industrial Decarbonisation Strategy, a Heat and Buildings Strategy and a Hydrogen Strategy, but it does not yet have in place all of the policies and plans required to deliver on climate commitments (Climate Change Committee: COP26: Key outcomes and next steps for the UK, December 2021).

Two of the global critical uncertainty high scorers are also keeping UK energy leaders awake at night, namely Commodity Prices and Geopolitics. The record global price rises in natural gas, and ongoing price volatility, is impacting gas prices in the UK, a net importer of gas from diverse sources. Electricity prices are also being impacted, with more than a third of electricity generation provided by gas (UK Government statistics). A large number of energy suppliers went out of business during 2021, due to a combination of a lack of hedging against price increases and a fixed price cap on what they could charge domestic consumers (UK Parliament research briefing). The domestic price cap is due to be increased significantly by the regulator, and 85% of UK homes are dependent upon gas for heating, so Affordability has become a key critical uncertainty for UK energy leaders.

Finally, there is considerable uncertainty around Market Design and Regulations. This is partly due to the energy supplier failures, but also due to the need to move to a net zero electricity system by 2035, whilst accommodating the shift towards greater electrification of heating and transport at lowest cost to consumers, and continuing to operate a resilient and secure system. There is ongoing work on market design and regulations for CCUS, for hydrogen, and for heat networks, so there are uncertainties in these sectors also.

Renewable energy continues to be the highest action priority for UK energy leaders, with a strong commitment by UK government to significant growth in offshore wind, and to the longstanding 'Contracts for Difference' mechanism for a range of renewable technologies. Leaders are also focused in their day jobs on digitalisation, with greater certainty and direction provided during 2021 by the UK Energy Digitalisation Strategy and action plan published by the UK government and regulator, alongside a Smart Systems and Flexibility Plan.



WORLD ENERGY COUNCIL

Acknowledgements

UK Member Committee

Katherine Jackson