

Business and Trade Committee

Oral evidence: Industrial Strategy, HC 727

Tuesday 22 April 2025

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Watch the meeting

Members present: Liam Byrne (Chair); Antonia Bance; John Cooper; Sarah Edwards; Alison Griffiths; Sonia Kumar; Charlie Maynard; Gregor Poynton; Mr Joshua Reynolds; Matt Western.

Energy, Security and Net Zero Committee member also present: Bill Esterson (Chair).

Questions 536 - 584

Witnesses

[III](#): Alistair McGirr, Group Head of Policy and Advocacy, SSE; Rob Salter-Church, Director of Regulation for Electricity Transmission, National Grid; Louise Kingham CBE, Head of Country UK and SVP Europe, BP.

Examination of witnesses

Witnesses: Louise Kingham, Alistair McGirr and Rob Salter-Church.

Q536 Chair: Welcome to this third panel in today's session on industrial policy. Thank you very much indeed to our witnesses from the energy sector for joining us today.

Louise Kingham, I wonder whether I could kick off with you. We are interested in the way in which clean energy can become a really important sector of our economy in the future. As I understand it, BP has just decided to spend an extra £10 billion a year on pumping oil and gas, yet the scientific evidence says that, if we are to keep global temperatures down by 1.5%, there should be no new drilling and no new excuses. Once upon a time, BP seemed like it was leading green Britain, and now you are lagging green Britain. Just help us understand whether you are now, basically, putting profit before the planet.

Louise Kingham: Thanks for the question, Mr Chairman. Good afternoon, everybody. It is nice to see you. If I might politely just correct a few points in that introduction, the IEA and other very credible organisations with reference scenarios have talked about no new frontier exploration. That is not the same as no new drilling, production or development of oil and gas, because all of those organisations, including our own Climate Change Committee, will say that we need oil and gas in the system, to some degree, to 2050. Clearly, there can be a debate about how much of that is the case, but those are the scenarios of others independently.

Q537 Chair: I have the IEA's *Net Zero by 2050* report from 2021 in front of me. It says that reaching net zero requires no investment in new fossil fuel supply projects beyond those already committed.

Louise Kingham: Yes, and the nuance to that is that the development of licences already awarded and their associated development and production is not what that means. It is a technical difference, but it does explain the fact that the other credible scenarios, including the IEA's, say that we will need oil and gas out to 2050, while, at the same time, we must invest in and build out the low-carbon industries.

Again, if I might add slightly to your introductory remarks, BP has a multi-billion pound investment programme in the UK, three-quarters of which is investing in low-carbon technologies. Globally, the transition has slowed and we have to go at pace with that slowing transition. You have heard some of the challenges around pace from colleagues who have been on earlier panels, and we absolutely have experienced that.

We very openly said, at the end of February, that we did too much, too broadly and too quickly. What we have had to do with the reset is to rebalance the rate at which we were producing oil and gas against investing in the low-carbon transition, so that we can try to manage that as effectively and in as well balanced a way as possible, thinking about



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our supply chain management, our workforce management, and whether communities and society are ready to make the transition, alongside the investments that we want to make.

Q538 Chair: The result is that you have watered down your emissions targets. You were projecting a 35% to 40% cut by 2030, and it is now a 20% to 30% cut. Your scope 1 and 2 emissions are up; your scope 3 emissions are up. Your methane emissions are up by 10% in 2023. The Government are trying to reduce emissions, and it does not seem like BP is with the project.

Louise Kingham: I am not sure where your numbers are coming from, Chair. The numbers that I have are from BP, so I will take those as the right ones. We have reduced scope 1 and 2 emissions by 38% since our baseline of 2019 out to last year, and we will continue to do that.

Q539 Chair: I am looking at scope 1 and 2.

Louise Kingham: Yes. Scope 1 and 2 are minus 38%, with a commitment to go to 45%.

Q540 Chair: It was 31.8 million tonnes in 2022, up to 32.1 million tonnes the year after.

Louise Kingham: No. It is minus 38% from 2019. Scope 1 and 2 emissions have been reduced. The target is a 45% to 50% reduction by 2030 on scope 1 and 2. We also have scope 3. We have biodiversity and water nature communities within those ambitions. We are still committed to net zero by 2050, so this is a short-term recalibration. We do not have plans out beyond 2030 at the moment, but they will come in due course.

Q541 Chair: Did BP's greenhouse gas emissions go up in 2023 compared to 2022?

Louise Kingham: They will go up and down each year, but, over the profile, they will come down.

Q542 Chair: So they went up in 2023 compared to 2022.

Louise Kingham: Depending on what production is happening in which year, you will see them either go up or go down, but, overall, they have come down by 38%.

Q543 Chair: Just so that we are clear, they went up in 2023 compared to 2022.

Louise Kingham: They could well have done, I do not have that data in front of me on the profile of each year, so I would have to check that for you.

Chair: That is perfect. I look forward to getting that from you. Thank you.

Q544 Bill Esterson: I will follow up on the Chair's questions. The IMF says that the multiplier for investment in renewables is between 1.1 and 1.5, but,



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for fossil fuels, it is only 0.5 to 0.6. At the same time, \$2 trillion was invested in clean tech in 2024 against \$1 trillion in fossil fuels. The market is very definitely suggesting that investing in renewables is where the returns are. Why are your investors putting up with you rowing back on your commitment?

Louise Kingham: We are not rowing back.

Q545 **Bill Esterson:** You just told the Chair that you are.

Louise Kingham: The levels of returns vary, depending on the investments that you are making. I have just shared that we have an up to £18 billion investment programme in the UK, of which 60% to 75%—the numbers move around all the time—is directed towards low-carbon investment, so carbon capture and storage, hydrogen, and offshore wind. We also have a 100% owned company delivering solar, which is not included in those figures, as well as EV charging infrastructure, which was the subject of some of your earlier panel, and the oil and gas business with the forecourts businesses here in the UK. A significant amount of that investment is in low-carbon.

We have published expectations of mid-teens returns across all our investments, which is public knowledge from our last capital markets update. We have slightly reduced our total global capital spend from \$16 billion to \$18 billion, and are guiding on about \$15 billion for the coming year.

Q546 **Bill Esterson:** At the moment in the UK, on our latest figures, gas sets the price of electricity 98% of the time. The average in the EU is 39%. In France, it is as low as 7%. Does it not make sense for everybody involved in the energy mix to do as much as they can, as quickly as they can, to reduce our reliance on gas to bring down electricity prices?

Louise Kingham: We should absolutely be working to build out the transition as quickly as we can. There are challenges to doing that in terms of pace of delivery, but, as I have just explained, I have a very diverse investment programme in the UK that covers all of those technologies, including being first mover around carbon capture and storage, and a clean gas-fired power station that will use that CCS storage system in Teesside alongside a hydrogen plant.

There is also an issue around demand requirements for certain feedstocks or certain kinds of supplies. If you need a stable baseload, you will look to things such as fast dispatchable gas and nuclear power, or you need to seriously upscale your battery provision with your intermittency to be managed on the system. Colleagues who are here from other organisations more closely related to that will speak more ably to that than I can.

Q547 **Bill Esterson:** We will ask them questions as well; don't worry. There have been quite a lot of comments, not just in this country but across the world, about moving away from net zero and the Paris climate



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agreement. Is the reason for your slowing down because of that sentiment?

Louise Kingham: No, not at all. We took a final investment decision on the carbon capture and hydrogen investments, which are first of a kind here in the UK, before the end of last year, since some of the language and the way in which net zero has been described has changed. We are still committed to being a net zero company by 2050. You have heard from us and others that the destination is unchanged. The trajectory and the pathway are bound to be varied, and will have their twists and turns, but, ultimately, that is what we are all heading for. Consistent, stable policy is what will encourage private investors to help us get there as quickly as possible.

Q548 **Bill Esterson:** Do you agree with the statement in the industrial strategy Green Paper that the only way to guarantee our energy security and protect billpayers is to speed up the transition away from fossil fuels and towards clean homegrown energy?

Louise Kingham: There are a number of things that you need to do to have a secure and resilient energy system. Certainly, we need to be producing our own energy, whether that is low-carbon energy or cleaner gas without the emissions, to supply the energy demand that we need in the country, particularly for industrial use. The key is that a diverse energy mix allows for a secure energy mix. Then we need to think about resilience as an issue again on top of that, particularly as we move towards increased electrification.

Q549 **Bill Esterson:** Rob Salter-Church, do you agree with the statement in the Green Paper?

Rob Salter-Church: We would certainly agree that moving to homegrown renewables was always going to be the way to deliver long-term sustainable, secure and lower prices. At National Grid, we are doing our part to put forward the investments necessary to deliver a once-in-a-generation expansion of the electricity grid, and investing £35 billion over the next five years to be able to support that transition to a low-carbon energy system.

Q550 **Bill Esterson:** Do you have investments in other fossil fuel forms of energy production?

Rob Salter-Church: National Grid is focused on networks. We are a transatlantic business, operating 50% in the US and 50% in the UK, and our corporate strategy is to focus on investments that will support network developments for a clean energy transition.

Q551 **Bill Esterson:** You are moving away from fossil fuels.

Rob Salter-Church: Correct.

Q552 **Bill Esterson:** Thank you, and same question to you, Alistair.



Alistair McGirr: I would maybe just start my response by talking about the fact that this is a transition. There will be periods where we will move away from fossil fuels, but clearly there is a need to make sure that we take people and places with us in respect of production of energy. We are a user of gas for our gas power stations. We are looking to undertake activities by which we can decarbonise those through the development of CCS and hydrogen options, but we would agree with Rob's comments that, in the medium term and into the longer term, an investment in clean energy infrastructure is going to be the way that we address some of the competitive challenges that were mentioned in previous panels.

Q553 **Bill Esterson:** One piece of information that has emerged from the problems with British Steel at Scunthorpe is that the date for a grid connection is 2034. I had heard 2035, so I will take 2034, because it is in the public domain. Why is it taking so long? That is probably a question for you, Rob.

Rob Salter-Church: Certainly, you are right to highlight that grid connections have been an issue. Just last week, Ofgem announced a reform of the connections process, which will remove a broken system that allowed for a huge number of applications into the grid queue and for things to be done on a first-in first-served basis. What we have seen with the new reforms that we really support is a reprioritisation of grid connections to take the Government's strategic view of what is needed to deliver the clean power 2030 mission and a reordering of that process to be able to bring forward connections. That is focused on the generation side.

There is important work that Government need to do now, working with industry, to look at what the strategic approach to growth is in various sectors across the country, to identify that long-term view where industrial growth is going to happen, and to feed that through into the initiatives that Government have on the table, the strategic spatial energy plan and the centralised strategic network plan, to give a long-term view so we can build the network more quickly and we can prioritise grid connections for customers so that they can be connected to the system as soon as possible.

Q554 **Bill Esterson:** I chair the Energy Security and Net Zero Committee, as you will know, and we have had significant evidence about the problems of the grid queue that you have just touched on. What we have been hearing, which is a worry, is that there are the delays, whether it is 2034 or otherwise, and then suddenly they are being approached by National Grid, being told that they have to reach agreement within a matter of days, and being asked for 10 times the payment they had previously been asked for to make the connection. As a result, people are giving up. Is this just a way of moving people from the grid queue?

Rob Salter-Church: No, that is not how the reform process is working. I am not clear on the specific details of the circumstances of the project you have mentioned, but I will be happy to write to the Committee to



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explain the arrangements, whether it is National Grid or the local distribution network that they are engaging with.

Q555 **Bill Esterson:** I suppose the point about the example is that we are getting the sense as a committee that this is being managed, if that is the right term, in a somewhat disorderly way. What assurance can you give us that this is going to be done in a way that works for the needs of the entire country?

Rob Salter-Church: We are doing everything we can to now move through with implementation of connections reform. The decision was made just last week. We are now working through to get all of the revised offers out. The other thing we are doing is proposing the biggest investment plan that we have ever had to expand the grid two and a half times quicker than we have done in the previous five years, on the back of having secured long-term commitments from Ofgem, to increase the capacity so that we can bring forward those grid connection dates as quickly as possible.

Q556 **Bill Esterson:** Is it feasible to deliver that two-and-a-half-times expansion in five years?

Rob Salter-Church: We have looked really hard at the deliverability of our plan for the next five-year period of the price control. Our sense is that there is a route to be able to deliver that plan. It is going to be a national endeavour. All parts of the system, whether that is industry, Ofgem as the regulator or Government, need to play their role to be able to unlock barriers, whether that is barriers in the planning system, whether it is securing sufficient supply chain investments, whether it is building the pipeline of skills that we need. Each of us is going to have to play a role and work harder and quicker than we have ever done to be able to deliver that investment plan, but we have confidence that, with that focus and the mission focus that the Government have, it should be possible.

Q557 **Bill Esterson:** Alistair McGirr, do you agree that it is feasible that we can see a two-and-a-half-times increase?

Alistair McGirr: It depends on what policy and regulatory mechanisms are put in place to deliver that. We also have a transmission business in the north of Scotland, SSEN Transmission, and so we will be going into the next round of the price control process, known as RIIO-T3, and there is a live debate under way with Ofgem about the finance-ability of that process. Clearly, it is a big challenge, but in terms of regulatory mechanisms, if they are sufficiently investable, we will bring forward that investment. The challenges will be on some of the wider barriers that Rob mentioned. Planning, for us, is a particular one.

Q558 **Sarah Edwards:** I just wanted to ask a bit about how it is that we are going to move there. I know you are saying that there are these plans, but I just wonder why it has taken so long to get there, to connect to the grid. We have heard from companies up and down the country about how



impossible it is for them to look at their own growth plans, regardless of the Government, to get a grid connection or to afford it, or, when they actually get the quote for the grid connection, it cannot give them the power that they need for their business.

In my constituency, I have a food distribution business, Brakes. It covers the whole country. It has trucks everywhere. It wants to power those and charge up those batteries using a grid connection and a battery storage system. It can partly do that, but it cannot get the energy, so it cannot expand and cannot support the net zero hopes of the Government, despite the fact that it wants to do that and is doing it anyway. How are you going to support it to do that, given that so far, like many businesses, it has got absolutely nowhere with it?

Rob Salter-Church: I can understand the frustrations from the businesses in your constituencies. When we have been out engaging with stakeholders on the plan, we hear similar stories. The way that we can fix this is moving to a more anticipatory basis. The way the regulatory framework has dictated how we can invest in the past is that we have to wait for specific triggers. As I have mentioned, we have had a broken connections market where we have had a huge pipeline of projects, many of which will not come through. What we are calling for is to have a longer-term strategic plan where we can get ahead of that demand.

The fact of the matter is that it does take longer to build new network lines than it does for many customers. An AI data centre can be up and running in two to three years. It takes us far longer to build a new power line once you have secured consents. We can fix this problem with more of a long-term strategic view of how the network needs to develop, informed by the Government's industrial energy strategy. Then we can take that to be able to provide capacity in advance more quickly as part of a new way of thinking.

Q559 **Matt Western:** How long do you think that plan should be? If it is too short, how long should it be?

Rob Salter-Church: What is necessary is a high-level long-term plan that gives confidence to be able to make longer-term commitments, and to have that on a high-level strategic basis rather than to have a very detailed near-term year-by-year plan. These processes take time to develop. A long-term plan needs to have grounding in the planning system. That means that you cannot be updating your plan every single year or so, because you need to go through all the relevant processes, go through environmental assessments and engage with stakeholders. You need a sufficiently long-term plan of five to 10 years plus to be able to make those long-term commitments and to plan ahead.

Q560 **Matt Western:** Towards the end of the answer you were saying "10 years plus". Would you like to see something that is 10 or 15 years and that actually helps National Grid scale up, get the skills, get the staff, get the trained personnel, but also, as we talked about the steel industry



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before, get the pylons produced, get the cables produced, get through planning and so on? Is that what you are saying?

Rob Salter-Church: Yes, you need a long-term plan, a very long-term plan, beyond 10 or 15 years plus, but then you will need some shorter-term plans with clarity from the regulator to allow us to actually make the investment.

Q561 **Matt Western:** That is what the Winsor report is, is it not?

Rob Salter-Church: Correct, there is a significant set of recommendations in there that we support. If those get implemented, that will make a big contribution.

Q562 **Matt Western:** Have the Government adopted that plan?

Rob Salter-Church: They have, yes. They have accepted those recommendations.

Matt Western: So we have a plan.

Rob Salter-Church: There are a series of recommendations that need to be followed through and implemented. The Government have set out a commitment to introduce a strategic spatial energy plan. We still need to see that and see that implemented promptly.

Q563 **Matt Western:** The Government have set out that they want to be the fastest growing economy in the G7. This could be a significant sector. To what extent do you think the clean energy sector can contribute to the UK being the fastest economy? What kind of growth do you think you can imagine, say, over the next five or 10 years coming from this sector?

Alistair McGirr: It would be difficult to put a number on that.

Matt Western: Double?

Alistair McGirr: We would characterise it as being the direct impacts of the investment to deliver on a clean power mission. Government have set out that we can have £40 billion a year of investment over the next five years. That is £200 billion of investment, largely coming from the private sector. Clearly, on its own it will be a significant economic stimulus for the country.

Then there are maybe two indirect impacts that have particular relevance and could deliver some economic opportunities as well. The first of those indirect benefits will be if we can capture the economic opportunities that come from this direct investment that we as a sector are able to do. Quite frankly, as a country we have been pretty poor at doing that, but the industrial strategy hopefully helps bring these levers together so that we can capture a lot of this domestic supply chain here in the UK. That is one indirect benefit that we can potentially get from that investment that we as a sector are doing.



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The other one is sometimes overlooked, but that has been referenced today: what are the needs of businesses from the energy system? There are two that have come out from the debate that we have had so far today. First is secure, competitive energy, which we entirely agree with, and the clean power mission will help deliver that.

The second is access to infrastructure. We talked about getting grid connections as being a somewhat arduous process, but all the plans that we have referred to, be they the strategic spatial energy plan, the centralised strategic network plan, which relates to transmission, or regional energy system planners, which relate to the distribution level, will not only help tie together the generation side of the energy system, but create space in the system for strategic demand to be placed where those demands might be coming in the future.

We are taking a much more strategic approach to how we develop the energy system, which hopefully, all being well and if delivered in a timely fashion, will help businesses get quick access to the electricity system and support their expansion plans for the sites they have and potential new investments into the energy system.

In respect of the need for CCS and hydrogen infrastructure in the UK's industrial clusters, having that brought forward will enable a whole range of industries to access low-carbon fuels. We would see a potential opportunity in Scotland in particular, where it could be a European leader in low-carbon fuels if there was CCS capacity there.

Q564 **Matt Western:** What is your view, Rob Salter-Church?

Rob Salter-Church: It is similar, in that there is a direct impact of what the electricity sector can deliver into the UK. Collectively, we are planning to invest £77 billion in the next five years through the next price control, but more important is the impact that we have to connect businesses across the country with the sources of power that they need. At National Grid, our plan that we have set out would connect 35 GW of new generation. That is more than double the rate of what we did in the previous five years, but importantly massively increases the demand connections available.

We would connect 19 GVA, which, to bring that to life a little for the Committee, is the same as one-third of GB's peak demand. That is the additional demand capacity connections we would provide in the next five years through our plan. We would be supporting 55,000 jobs across every region of England and Wales. There really is a huge potential for electricity networks to be at the intersection of the Government's clean power 2030 mission and the Government's growth mission.

Q565 **Chair:** Just to round this out, Louise, if you are spending an extra £10 billion a year, which was the update to your shareholders, on oil and gas, to us it does not sound like a huge vote of confidence in the Government's clean energy plan. Just help us understand how to read, on



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the one hand, a Government racing for net zero, and on the other BP saying, "That is really interesting, but we are spending £10 billion on oil and gas. Thanks very much". Just help us understand what is going on.

Louise Kingham: What we announced at the end of February was a 20% increase in oil and gas development globally. That 20% uptick, over the period, not per year, will be the £10 billion. In the UK, we have a multi-billion pound investment programme, and to add to the examples and give you a real one, where it is creating growth, two of the projects that we have taken final investment decision on in the UK around carbon capture and storage and the clean gas plant that will be connected to that system will create 3,000 jobs in construction this Parliament. It will create 1,000 jobs to operate thereafter, out to 2050.

We can, as Alistair says, build out that sector and take that first mover advantage that we have had to do carbon capture and storage and build out hydrogen in the UK, because the Government have been committed to design the policy and the regulatory frameworks in order to be able to make those investments. If what follows behind BP's first investment is a series of other industries and investments that come forward, that will protect, the CCSA predicts, over 77,000 jobs currently that would otherwise deindustrialise because we are trying to decarbonise. At the same time, they will create a further 77,000 as an entire industry sector builds out here in the UK.

That is then exportable, and we have had 30 incoming international visits to what we are doing here in the UK because we have that first mover advantage. We also have some international inward investment in those projects to supplement the BP investment and the government encouragement to do that first here.

Q566 **Chair:** It was obviously a hugely controversial decision. You had the biggest shareholder revolt that we have seen in the FTSE for about five years. You could have taken a decision to put £10 billion extra into clean energy. I am literally trying to understand, in the BP boardroom, how a decision has been taken to invest in oil and gas rather than clean energy. What I am trying to get to is what is missing from the Government's plan. What would BP have needed to see from Government to say, "We are not going to put £10 billion into oil and gas; we are going to put £10 billion into clean energy"? What would have persuaded BP to take a different decision?

Louise Kingham: As I mentioned, you are mixing up international, global, multinational numbers for a company that works in 60 countries with what we are doing here in the UK, which actually looks like a microcosm of the group strategy and is very much, across all the investments I have described, low carbon. In fact, we are investing more, and more quickly, in those than we are able to in oil and gas at the moment, because of the policy and regulatory framework uncertainty and the fiscal uncertainty that we currently have, which we are working through in the response to the consultations presently.



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To answer your question, I am here to try to offer advice and evidence to the Committee as opposed to BP being scrutinised, but let me try to answer it for you.

Q567 **Chair:** We are trying to understand why you are taking your decisions.

Louise Kingham: Absolutely, Chair, but, in our experience, we have had very good collaboration with Government. We have been able to build trust and understand the balance between risk and reward. Our shareholder and, therefore, boardroom concern will be about generating free cash flow and the level of returns that, again, reward our owners. That is what you are in business to do. If the pace of those returns and that reward is out of kilter with your investment profile, you are spending too quickly in those investments and not seeing the returns come back to keep that in balance and keep a resilient, healthy organisation, which is the stewardship and responsibility of that boardroom, I would argue. That is what is going on.

To answer your question in terms of what Government do, the one thing that is important is to be able to pick up the pace of the decision-making and the pace of the execution because, as you are hearing from us as a collective, there is an awful lot of opportunity in the growth mission and the clean energy mission, and they are compatible with each other if we make the expedient and right decisions, we do that quickly, we get to execution more quickly and we remove those barriers more quickly, which we are in the process of doing.

That is the opportunity, and we have done that. The CCS and hydrogen investments we have made in the UK are £4 billion worth of supply chain contracts to largely UK organisations, so small businesses in our economy. We would not have taken that decision unless the Government had worked really hard to help us get there together first. We could have done that in the US, in the Middle East, in a number of other places where we operate, where that could have been an opportunity. There are lots of good things happening. As we piece all these plans together, including the industrial strategy, we need to be able to move at a faster pace to execute.

Q568 **Alison Griffiths:** We have talked a lot about decarbonisation, but, in your experience, what has been the impact on the supply chain of BP in the North sea as a consequence of the decarbonisation over the last few years and the ambitions of the Government?

Louise Kingham: BP touches about 81,000 jobs in the UK, and about 65,000 of those are indirect, so they are in our supply chain. As a principal investor and operator, the lion's share of those opportunities is there. Last time we looked, we spent £5.3 billion in that supply chain, which is obviously largely around the oil and gas activity ahead of the final investment decisions being taken on some of the low-carbon investments.



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There is the opportunity for a lot of that skillset and capability to lift and shift to create low-carbon supply chains, but, again, they need to be able to invest. I am not putting words in their mouth, but, in other fora I have been in, they have openly said, "We need to keep working in the oil and gas industry here in the UK in order to be able to invest in the kit, the capability and the skills that we want to move across to the low carbon".

Again, it is about trying to keep this in balance as we go as quickly as we can, because they want to have line of sight to future full order books to be able to do low-carbon supply chain delivery. Actually, quite a large proportion of those skills are transferable, so it is a real prize for the UK. We have had experience where previously we have gone strong into offshore wind, but that did not build out a domestic supply chain the first time around, so we have the opportunity with the clean industry bonus and other things that are being supported by Government to foster that and enthuse that to be something that is homegrown.

On the flip side of that, we need to recognise that that comes as a strategic choice and with a cost, in terms of building UK supply chain activity as opposed to sourcing something in from other places that then does not stay. The other thing you will have seen from the North sea supply chain experience over the last six decades is that it is very exportable. We build that capability here, and then you will hear Scottish voices or voices from the north-east, quite often, all over the globe working today in the industry. That is another opportunity that we can replicate.

Q569 Bill Esterson: Just to come back to what you were saying about carbon capture and the amount you have invested in it, did you say you had committed £4 billion into carbon capture in the UK of the £10 billion you have reinvested?

Louise Kingham: That is the value of the supply chain contracts we have issued after taking final investment decision.

Bill Esterson: It is £4 billion from BP out of the £10 billion.

Louise Kingham: From all the partners, yes.

Q570 Bill Esterson: How much from BP?

Louise Kingham: We do not disclose the breakdown of those numbers. The total investment of the two projects is around about £10 billion, and £4 billion of that is going straight out to the supply chain.

Bill Esterson: We have a £10 billion increase in your fossil fuel investments, and some of it has gone into carbon capture. That is as much as you can tell us.

Louise Kingham: They are separate numbers. I treat them separately. The increased investment that you are talking about in oil and gas is not likely to be part of the current programme. That will be new investment that comes at a later point. This is already real. This is money being



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spent as we sit here now on building out supply chain capability. The total value of those projects, the two that I have mentioned that have the £4 billion of supply chain contracts awarded, is £10 billion by coincidence. They are different numbers.

Q571 Charlie Maynard: Alistair McGirr, just looking at it from a consumer perspective, Witney is my constituency. I was in JSP's manufacturing facility in Standlake last week. It has one of the biggest bits of injection moulding kit I have ever seen in my life, idle for the last five years because it cannot get power. Down the street, Abbott has been grappling. I can go down to pretty much any manufacturing facility in my patch and hear the same thing. Can you tell us what you see as the things you would most like to see fixed and what is really holding you back from being able to provide electricity to consumers locally, whether it is in west Oxfordshire or elsewhere?

Alistair McGirr: With respect to your constituency, I am assuming we are the local DNO, so the distribution network operator, for that area.

Charlie Maynard: Yes.

Alistair McGirr: It comes back to the discussion we had before around the regulatory frameworks, in terms of both the plans that are coming forward and the network infrastructure that is there in place. In terms of the connection process, clearly it has been too slow and ultimately too costly. That is why the improvements have been proposed, to make sure that businesses can get timely connections into the network.

Q572 Charlie Maynard: I am just trying to pull that apart. It is a failure of regulation. You have the power, but it does not make sense economically for you to connect it up.

Alistair McGirr: The networks are regulated entities, in the sense that their spend is determined by the regulator. They will have business plans that they put into the price control process about how much network investment they can do. That will be limited to effectively try to protect consumers against some of those costs, but there is a balance there around how much investment can happen now versus what the needs of the network are going forward.

Charlie Maynard: It is just a total failure of the regulatory environment.

Alistair McGirr: I would say a lack of strategic foresight.

Charlie Maynard: Effectively, it is just not working. That is why we have 2034 dates and all this kind of craziness.

Alistair McGirr: Yes, there is a process point around grid connections. Ultimately, what we have at the moment is first come, first served. Clearly, that does not work for everyone, because not everyone is going to sit in a queue waiting for that capacity to become available.



Back to Rob's point around the strategic investment in the network and this strategic plan, at the distribution level there is something called the RESP, or the regional energy strategic planner, which will effectively take the local plans, including businesses like the one you mentioned, as well as some EV charging, heat decarbonisation projects, data centres or housing projects, and then construct a locally agreed energy plan, meaning that the electricity distribution network can effectively put infrastructure in place so that there are timely connections for businesses.

Q573 Charlie Maynard: I have a question for you, Rob, on single day-ahead coupling and contracts for difference. I would love to hear the National Grid's perspective on whether single day-ahead coupling with Europe would be a good thing in terms of being able to trade electricity in and out between the UK and the EU more effectively, and what you would like to see improved in contracts for difference.

Rob Salter-Church: Certainly, there is more that can be done to harness the power for international collaboration and trade in electricity. There are some significant barriers that we see in the current trading arrangements, whether that is the details of day-ahead coupling or the double taxation of the carbon content of electricity as a result of the carbon border adjustment mechanisms. Those are the kind of mechanisms that we would like to see dealt with and the Government are doing the right thing in engaging with a close relationship on electricity trading with EU partners.

On the specifics of day-ahead coupling, I am happy to write to the Committee with more detail. That is not directly in my part of the National Grid in the transmission business, but we can write to you on that.

Alistair McGirr: Just to quickly comment on the CfD points, because I appreciate Rob will not directly be involved, the relationship with Europe and the relinking or linking of the UK and EU emissions trading scheme, as this Committee has suggested, will be a key element of the next month. Hopefully we will see that on the agenda. As Rob alluded to, there are industrial issues that are coming with the EU CBAM, but it is also a big issue for electricity trading.

In terms of the CfD, we have prospectively the largest CfD or offshore wind auction coming this year. The changes being discussed are relatively small tweaks in respect of whether you have longer CfDs, which is commonly accepted as a good thing that ultimately can reduce risks and therefore costs to consumers. One big issue we are seeing that is running into the CfD auction is the prospective introduction of zonal pricing, which would potentially split the GB electricity market into a dozen or so different prices. From an infrastructure developer perspective, that just adds significant risk and thus cost into the process. We see zonal pricing, if progressed, having significant impacts for the outcomes of the upcoming CfD auction.



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Q574 **Charlie Maynard:** Just to spell that out for us, zonal pricing means that, if you are in the west midlands, you pay X; if you are in the south-east, you pay Y.

Alistair McGirr: Exactly, so the prices for each of the regions will be set by supply and demand in that region.

Louise Kingham: There is a further opportunity with this upcoming auction round, AR7, as it is known, in the summer. The Government are presently minded, as I understand it, to give pre-consented projects the opportunity to bid into that auction in order to encourage more gigawatts to come forward. It should be beneficial to consumers as well in terms of more competition into the system. That is a real opportunity for the clean power 2030 plan and to get within the shooting distance of the gigawatts that folks want on the system for offshore wind.

Q575 **Charlie Maynard:** Are those pre-consented projects currently inside AR7 or not?

Louise Kingham: No, they are not currently. That would be an adjustment to the criteria for developments and projects that can bid in.

Q576 **Charlie Maynard:** Why not?

Louise Kingham: It is just the way it has been set up thus far. The auctions to this point are on the basis of consented projects being able to bid in, not those that are yet to get consent. There is a challenge in that, first, we need more gigawatts of offshore wind on the system for clean power 2030. Secondly, there are a significant number of projects that are already deeply invested in, have the potential to come forward and are as developed, if you like, as some of the consented projects. There need to be ways of managing out those that do not succeed and go through the whole journey. That is a practicality, but it is a real opportunity.

Q577 **Sonia Kumar:** You touched a number of times on the industrial strategy. The industrial strategy will have a clean sector plan. What are you hoping to see and what are your five priorities you are wanting to see from that section?

Louise Kingham: From our lived experience, what could help encourage more inward investment to deliver this strand, or actually any of the sector plans, is close collaboration with the industry for that sector. That is probably the delivery vehicle and it is for Government in the strategy to set the right framework, enable that and remove the barriers. Close collaboration is really important.

So is having a forward timeline for when decisions will get made, particularly if there needs to be further evolution of policy, regulatory frameworks and things like that, because from experience we know these things take time and there is a challenge to accelerate. There can also be a timing mismatch, in that investors need to make decisions and have certain stage gates in their processes, while Government, regulators or



local authorities might have their own constraints around timing and process. It is a really simple thing, but having that clarity and visibility between the sector and the framework the sector needs to operate in, whichever authorities they are, is really important.

We have mentioned the supply chain a few times as the real opportunity for the UK. Again, that is probably across a number of sectors, just not the clean energy one that we are talking about for the moment, but they need to be able to be confident about the pace of decision making and the timing of policy decisions, and have line of sight to the projects that are coming, so that they can be confident that there are order books and businesses to keep their folks employed and to provide economic opportunity and value back ultimately to the country.

Those are the kinds of things that would be really helpful. For energy particularly, we have the national wealth fund; we have GB Energy; we have several Departments. This is a cross-cutting issue. We have a lot of regulators. That all needs to be joined up, which I know is a phrase we overuse, but in practice, to get investment to flow, that needs to happen, and it needs to happen in the real experience.

Rob Salter-Church: This is quite similar to what Louisa said, but I would boil it down to four specific things from a transmission networks perspective. The first is a strategic vision and long-term plan. Linked to that is a framework that enables us to then move to more anticipatory investment and to deliver capacity increases ahead of need.

The second is a growth-focused regulatory framework. We are in a competition to attract international capital to the UK. Ofgem will be making some important decisions this year, as Alistair said, on the next price control framework. We need to see a regulated framework that can attract the capital to the UK to be able to invest.

The third is a focus on outcomes in regulation, rather than inputs and long lists of prescription. That will unlock innovation and enable network companies and others to work differently and be more efficient.

The fourth is seeing this as a national endeavour, working together between industry, regulator and all these bodies that Louisa has mentioned, to unblock the barriers to investment and be able to support growth.

Alistair McGirr: Not to duplicate what others have said, but there does need to be a coherence in all the things that we have mentioned today. We have mentioned a number of strategic energy plans that are coming forward. We need to make sure that in the industrial strategy and the sectoral plans, because "the clean energy industries" is quite broad, is additive to what is under way in terms of the clean power mission, so that you can really capture a lot of the benefits that will come from that investment, rather than trying to have multiple plans that ultimately require lots of interpretation of what that means.



If the industrial strategy is done well in energy, it will enable us to capture a lot of those opportunities that can come with the investment and, importantly, feed back into the point of what the rest of the economy requires from the energy system to really drive forward growth, because energy is in both of those camps, being targeted as a growth sector and as a key enabler. In that respect, we are leaning into the plans that are in place from DESNZ and NESO, the national energy system operator.

Q578 Sonia Kumar: We saw written evidence to the Committee last time we called for it, as well as in the previous Parliament on the ESNZ Committee, that securing domestic supply chains is essential. There are a few areas on which we have had a number of responses in, such as the lack of projects in the pipeline, infrastructure and costs, access to finance and skills. How do you feel we need to address that?

Alistair McGirr: I will maybe start with an example of where industrial strategy has worked well. Sumitomo, the Japanese industrial conglomerate, has basically invested in a high voltage cabling manufacturing facility in the Port of Nigg in the Scottish highlands, supporting 300 jobs.

That came about because of the strategic plans that were put in place by the Government from the Winsor review and were signed off by Ofgem under something called the ASTI framework, so the accelerated strategic transmission investment framework. That allowed the TOs to have an early and at-scale engagement with the supply chain, which not only competed for the supply chain capacity that was available elsewhere, but actually triggered investment into the UK, coupled with support from the Scottish Government and their agencies to have a place-based, targeted approach to a specific technology for a specific need.

Compare that to the CfD framework, which has a competition at the start, a whole bunch of development risk in the middle, and then a late competition at the end. It is designed entirely, although not deliberately, in a way that would not facilitate capturing of domestic supply chain, because by the time you are entering a CfD, quite frankly, it is too late. You are competing for the available supply chain, rather than being able to capture or trigger that supply chain capacity into the UK.

Q579 Gregor Poynton: Alistair, you mentioned the opportunities in Scotland. Presumably one of those big opportunities is Berwick Bank. Time is against us, but just give us a quick answer on the size of investment, jobs and power that will provide.

Alistair McGirr: Berwick Bank is an offshore wind farm in the Firth of Forth, 4.1 GW, in the tens of billions. I cannot exactly say what it will be quite yet, but it is a significant project. If it is built, it will be the largest in the world. To Louise's comments before around consented projects into the next CfD round, Berwick Bank has been sitting in the Scottish



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planning system for two years and counting. The challenge we are facing with that in particular is that it is waiting to get into an auction.

While Louise made the case for allowing unconsented projects into the auction, even though we have significant unconsented projects, we actually do not agree with that, because having unconsented projects in the auction would create cost inflation and delivery risks that would ultimately create challenges for the viability of the sector. Berwick Bank is a huge opportunity, stuck in the Scottish consenting process. To be fair to the Scottish Government, there will be issues with some environmental consenting that relate to the UK Government. Interactions between Defra, the Scottish Government and DESNZ will hopefully result in securing a timely consent in time for the next CfD auction.

Q580 Gregor Poynton: For a project of that scale to take two years, with no idea of when that will finish, to be fair to the Scottish Government, they have not moved quickly enough, have they?

Alistair McGirr: I certainly would not apportion blame. It is a challenging issue. It has not moved forward quickly enough. Aside from us wanting to build the project, that sends some quite damaging signals as to the supply chain investment into Scotland and the wider UK.

Q581 Gregor Poynton: You mentioned that one of the problems you had was particularly with planning, and this is holding up multi-billion pounds' worth of investment. It has sat there for two years, and we have no idea when it will come back.

Alistair McGirr: I agree. Hopefully projects like Berwick Bank can get timely consent. There are challenges across both the Scottish Government and the UK Government in relation to those. I will not apportion blame, but I am keen to make sure that planning for such projects can speed up. With what the Government are doing on the clean power mission, and their Planning and Infrastructure Bill, as well as resourcing for the planning authorities in both England and Scotland, we are seeing progress towards that. Hopefully, in time, determinations on such projects can be done much more quickly.

Q582 Chair: Just to wrap up, this has been a very illuminating session, so thank you very much indeed for your evidence. It sounds like there is a lot of muddle in government strategy and co-ordination at the moment, which probably makes understanding risk and return quite challenging. Louise, what is your impression of how joined up Government Departments are in pulling together the kind of strategy that would make it easier to invest bigger in the future?

Louise Kingham: Joined-up government is a challenge that I have heard throughout my 30-odd years of being around this subject matter, so I would not direct that at any particular Administration. It is a challenge to work across on complex issues such as the clean energy system and having a secure, resilient energy system for now while we build that out, because it is a transition, as has been said. Our direct experience of



engagement latterly has been very positive. It is fair to say that there is mutual learning between industry and Government about how to get things done, and particularly about how to get things done at pace, while understanding and respecting the different processes or requirements.

Value for money is a great example. Industry will do value for money calculations in a very different way from how Government will do value for money. Industry will look 25 years out over the lifetime of an investment, possibly even longer. The near-term value for money challenge for a Government is very different. That is one example, and there are many of them. That just requires confidence and commitment to sit down together, be transparent about that and work that through.

Chair: We have heard similar stories in life sciences and in automotive.

Rob Salter-Church: I would agree with what Louise says. We have had very positive engagements with the Office for Investment and others on doing what we can within the existing framework. I would echo what Alistair has said before. There are lots of plans; there is strategic intent and commitment from Government. What we now need to see is how those all come together through the industrial strategy into a clear plan and for action to happen at pace, if we are going to be able to deliver the investments that we want to.

Q583 **Chair:** Do you feel you are being heard on the things that you want to see in the industrial strategy?

Rob Salter-Church: Yes, we have very positive engagements with Government. Indeed, we have positive engagements with Ofgem. Through this process and through the industrial strategy, the role of the regulator in unlocking and supporting growth will be hugely important over the years to come.

Q584 **Chair:** That is an important point. Alistair, is there anything you would like to add to that story?

Alistair McGirr: The clean power mission is attempting to bring a lot of that together. In terms of actions for the Government, they are taking all the actions we would ask of them. The challenge is how they bring that all together. I would echo the points about the role of the regulator in facilitating and delivering a lot of the ambitions that the Government are trying to achieve.

Chair: That has been fantastically helpful. Thank you so much in helping us get down the evidence that we need to get down as we draw up our inquiry report on industrial strategy. That concludes this panel. That concludes this session.