

Energy Security and Net Zero Committee

Oral evidence: [Energy resilience](#), HC 1804

Wednesday 25 March 2026

Ordered by the House of Commons to be published on 25 March 2026.

[Watch the meeting](#)

Members present: Bill Esterson (Chair); Ms Polly Billington; Sir Christopher Chope; Lizzi Collinge; Torcuil Crichton; Graeme Downie; Wera Hobhouse; Mike Reader; Claire Young.

Questions 1 - 136

Witnesses

I: Dan Marks, Research Fellow, Energy Security, RUSI; Ana Musat, Executive Director, Policy and Engagement, RenewableUK; and David Whitehouse, Chief Executive, OEUK.

II: Alex Grant, UK Country Manager and SVP for Global Oil Trading, Equinor; Gordon Balmer, Executive Director, Petrol Retailers Association; Alan Gelder, Senior Vice President of Refining, Chemicals and Oil Markets, Wood Mackenzie; and Elizabeth de Jong, CEO, Fuels Industry UK.

III: Michael Shanks MP, Minister for Energy, Department for Energy Security and Net Zero; and Jonathan Mills CB, Director General for Energy Markets and Supply, Department for Energy Security and Net Zero.

Examination of witnesses

Witnesses: Dan Marks, Ana Musat and David Whitehouse.

Q1 **Chair:** Welcome to this afternoon's session of the Energy Security and Net Zero Committee. We are looking at energy resilience in the light of the Iran conflict, and we have three panels this afternoon. Our first panel has joined us. Can you introduce yourselves? We will then start our questioning.

Dan Marks: Thanks for inviting me to be here. My name is Dan Marks. I lead the energy and security programme at the Royal United Services Institute.

Ana Musat: Good afternoon. My name is Ana Musat. I am the executive director for policy and engagement at RenewableUK.

David Whitehouse: My name is David Whitehouse. I am the chief exec at Offshore Energies UK. As an organisation, we represent those investing in the UK's oil and gas, offshore wind, carbon storage and hydrogen, and a significant number of the UK's supply chain companies.

Q2 **Chair:** Thank you all very much for joining us this afternoon. We clearly face a very serious challenge internationally. We face a very serious set of challenges domestically with our energy resilience. There are many questions we could ask you, and we will ask some of them.

David, perhaps I can start with you. What additional oil and gas production is realistically available from the North sea compared with where we are today?

David Whitehouse: When you look at where we are today and maybe longer term, the North Sea Transition Authority currently has a forecast that the UK will produce somewhere in the region of 3.5 billion barrels between now and 2050. In terms of actual resource, with supportive policy—and we can talk about what some of those elements are—the UK is capable of producing something in the region of 7 billion barrels of oil and gas.

To put that in context, on our path to net zero, it is estimated that the UK will need somewhere between 10 billion and 15 billion barrels of oil and gas, so the UK is on track to produce less than a third of that. With supportive policy, it could produce half, which is important for energy security. It is certainly important for jobs and communities like the one where I live. It is important for the tax that we receive.

In the short term as well, there are opportunities to address the ongoing decline in oil and gas by making some decisions. The Treasury has done a good job in designing a permanent windfall tax. The oil and gas price mechanism means that, when prices are high, energy companies pay 75% tax on excess revenue, but it encourages investment. If we were to bring that forward and unlock it, we have already identified a pipeline of



HOUSE OF COMMONS

£50 billion of investment that could have an impact on our production in the short term.

Q3 **Chair:** Thank you. You have recently said publicly that we cannot affect the price with what we do in the North sea, so I will not press you on that. To what extent is this a question of increased energy security and supply through the North sea, and how quickly can that change?

David Whitehouse: The lesson from Ukraine and from what is happening today is that the most expensive energy we have is the energy that we choose not to produce. Today, we produce about half the oil and gas that we require. It is absolutely right that we are building out renewable energy. That is the right thing to do, but we are going to need a lot of oil and gas on the path to net zero, and we should be producing it ourselves. That helps our energy security.

To specifically answer some of those questions, we are on a path to be 50% reliant on LNG imports by 2035, most likely from Qatar and the United States. With the kind of policy I have just described, not only would we add tax receipts to the UK Government and support our jobs, but we could reduce that reliance to less than 10%. That is about unlocking projects that have been identified and shared with the Department but also with the Treasury, and bringing them online.

Coming back to your point about prices, one of the great things about producing your own oil and gas is that it pays tax. When you import oil and gas, you get none of the production-related taxes that we have.

If you look at the crisis we are facing today, that increase in price is probably going to add £3 billion to the Treasury's tax receipts if it implements the oil and gas price mechanism. If the Chancellor chose to do that, it would mean over £150 to every one of the 24 million dual-fuel homes in the United Kingdom. It gives us the choice of supporting homes, our industries and those who cannot pay.

Q4 **Chair:** That is by using the additional tax revenues to take money off bills?

David Whitehouse: Yes.

Q5 **Chair:** How quickly can we increase capacity? Jackdaw and Rosebank are relatively quick if they get consent. Beyond that, how long would it take to create the increase in capacity that would be needed to deliver those sorts of tax revenues?

David Whitehouse: You are absolutely right. Jackdaw would stand out: 60% of the UK's gas demand once it goes through that regulatory process and achieves consent. That would be available to us before winter 2026.

Then when we talk about the opportunities for oil and gas in the North sea, alongside our build-out of renewables, the vast majority of it is



HOUSE OF COMMONS

contained within existing fields or near to existing infrastructure. Those projects can be turned online in a matter of months or a very short period of time. The focus in the short term would be on those kinds of projects. You can get that appreciable impact on our gas production within months.

Q6 **Chair:** I am just trying to quantify it, David. New production from scratch takes a lot longer, does it not? How much is available within a matter of months?

David Whitehouse: As it currently stands, our gas production is about 400 million barrels of oil equivalent. That will halve by 2030. That is the path we are on. I am particularly talking about those projects that are in our existing fields and the near-field opportunities. Turn on Jackdaw and it means you can maintain flat production between now and 2030. It is that rapid.

Q7 **Chair:** It is maintaining existing production levels?

David Whitehouse: Absolutely. We could choose to maintain existing production levels, with all the benefits that come with that. It means that we are more secure, we have more tax revenue, and again, for people like me, it means jobs.

Q8 **Chair:** You gave a figure of 3.5 billion. I have seen similar figures from the North Sea Transition Authority. There are different views, but that is broadly close. What would need to happen for additional production to reach those sorts of opportunities?

David Whitehouse: We have done some work with the operators. There are 16 operators and 110 projects identified, which would add that extra 3 billion barrels of production. That is £150 billion of value in our economy.

What do we need? I will tell you. The Treasury has done a good piece of work on this oil and gas price mechanism. Introduce that now. That will mean we pay high levels of tax when prices are high, but it supports investment when prices are low. It will allow us to deliver those volumes. Let us introduce that. Obviously, we need to see the regulatory process completed, seeing the appropriate approvals of projects such as Jackdaw and Rosebank.

Q9 **Chair:** One piece of evidence we have had presented to us is that we have much higher production costs because of the maturity of the UK continental shelf. We are much further in the extraction of oil and gas than they are in Norway, for example. Compared with the Gulf, it is significantly higher. Are companies going to want to invest in additional capacity in UK waters, given that much higher cost?

David Whitehouse: In some way, shape or form, the UK continental shelf is the same age as its Norwegian counterpart. It is less extensive.



HOUSE OF COMMONS

Do not underestimate the value of 50-year-old assets. I am 59 myself. There is genuinely still a lot of life in these old assets.

Part of the oil and gas business is about how you maintain competitiveness. It is about finding the opportunity to bring new oil and gas across largely existing infrastructure, so you are not paying for that new infrastructure; you are bringing it across.

Is there an appetite to do that? Absolutely, there is. I have spent time in the last few months with all the leaders of all those who are investing in UK oil and gas in the North sea, and we still see a good opportunity to unlock that investment. What we need to see is simply the oil and gas price mechanism introduced by the Treasury. It would be really important to hear us saying loudly and clearly, "We need oil and gas. In the UK, we should be prioritising our own production and supporting our own people, communities and supply chain".

Q10 Chair: Existing licences have been awarded that go beyond Rosebank and Jackdaw. Are those likely to be exploited?

David Whitehouse: Let us choose as a country. Let us back our own home-grown production. Absolutely, the renewable sector is building up, but let us back our own oil and gas while we use it. Will those get unlocked? If we introduce the right fiscal mechanism and we have a regulatory process that is predictable, they will, yes.

Coming back to it, though, one thing remains clear. The majority of the oil and gas that we are going to produce, and the majority of the upside that I talk about, is going to come from our existing fields and those existing licensed areas close to existing infrastructure.

Q11 Mike Reader: What amount of energy storage does the UK currently hold, and how does this compare internationally?

Dan Marks: By "storage" I assume you are talking about gas. The UK is well known for having less gas storage than most European counterparts. I imagine that David can give better figures than I can on that.

This was a policy choice. It was ultimately down to market forces. Would LNG or storage win out? Over a 20-year period, LNG has been the result of market decisions. The position that UK security is best served by global markets and access to those markets is represented in that, such that if there is a crisis, you turn to the global markets to get it in as quickly and at as big a scale as you can, rather than necessarily storing it yourself.

Q12 Mike Reader: What about electricity storage? How does the UK compare?

Dan Marks: That is a good question. In terms of exact numbers, Ana might have better figures.

Ana Musat: In terms of electricity storage, we are doing better than other countries in Europe, particularly if you look at the ratio of



HOUSE OF COMMONS

generation to storage. We have about 7 GW of battery storage on the system today; that is set to rise to about 10 GW by the end of the year.

It is also worth saying that batteries are getting better in terms of the cost. The cost is falling quite rapidly. Also, the duration is looking much better. A few years ago, you would be looking at two-hour battery storage as being quite good technology; now we are looking at about eight hours. Again, we are doing better in terms of that.

We could go further. If we look at other places outside of Europe that have a lot of renewables as well as oil and gas mix on the system, such as Australia, California or even Texas, they have much higher volumes of battery on the system relative to generation, thus enabling them to make much better use of price signals. Store the electricity when it is plentiful; discharge it when it is not.

- Q13 **Mike Reader:** On gas and electric, do you think the Government should be investing more in gas and electricity storage, or is relying on international imports the way we get energy security?

David Whitehouse: On the gas side, the UK has a storage capacity of just under 1 bcm; Europe has 105 bcm. Our gas storage is a matter of days. We are fortunate in the UK that we have a number of supply sources of gas. That is part of our resilience. There is definitely an argument for additional gas storage capability, but there is also the fundamental issue that we can produce more from our own fields. Fundamentally, our most secure gas is the gas that we produce ourselves, and we should prioritise that.

- Q14 **Mike Reader:** If we were to invest in gas storage, do you have any idea what that would do in terms of the impact on bills? It would be a capex outlay from Government, I guess.

David Whitehouse: I am probably not in a place where I can talk to the cost, but what I do know is that, by prioritising our own domestic gas production, you generate those tax receipts, which can help fund some of those investments.

- Q15 **Mike Reader:** Okay, and what about electricity storage, batteries et cetera? There was a big focus under the previous Government on renewables. There is a bigger focus now from this Government on transition, network and improving the grid. Are we doing enough on energy storage in terms of electricity capacity?

Ana Musat: There are just a couple of things I would say. First of all, in terms of storage, I agree that we probably need all forms of storage so that we are not exposed to gas when prices skyrocket. Gas storage is pretty low in the UK compared with Europe.

Also, in terms of electricity storage, we could be doing better at, first of all, using what we have on the system. We have a lot of batteries. The System Operator does not tend to use them, even when they are cheaper



than gas. There are a few technical reasons for that that are being addressed. It is what we call skip rates, when a battery is available but is not being used. We would like to see that reduced much more to make best use of the batteries we have on the system.

We would also like to see greater investment in other forms of storage, because in reality you need long-duration storage as well as batteries. There are projects such as pumped hydro that are being developed at the moment in places like Scotland, where there is loads of generation. We would like to see a clear route to market for those.

The cap and floor mechanism that Government have put forward is a good one. We need to make sure that the cap and the floor are at an investable level. The focus should really be on bringing a variety of storage solutions to market.

Q16 Mike Reader: In your opinion, would investment in gas and electricity storage—you can decide which you answer—improve the UK's resilience and reduce our reliance on overseas imports?

Dan Marks: With electricity storage, it is quite useful to remember that it can be used in many different ways. The UK has been quite good at installing batteries for load shifting, but where we are much weaker and there are quite a lot more bottlenecks than in some other countries is batteries in distribution networks. Resilience, and especially bringing down costs, will come with distribution networks using batteries to enable industrial users to generate their own power behind the meter to protect themselves from costs.

There is more that can be done on storage for load shifting in winter. You could think about it seasonally, but it is really about intra-day, intra-week storage. There is also the use of batteries to provide stability for the grid. That is where the UK could do quite a lot more and could free up network operators. That would provide a lot more resilience.

On gas, there are two points. At the moment, you pay a premium for that level of security, but in moments like this, it can impact at the margins at least. The critical thing with storage may be that, as UK consumption of gas in general goes down, the case for storage becomes better. The more you use gas more in winter and less in summer, the more impact your storage is going to have, and also the further your gas will go. From a resilience perspective, the further you get along the line to clean power, such as in 2030 or something, the more your thinking around storage changes in terms of the resilience it provides.

Q17 Mike Reader: Are there any other comments on whether we should be investing more in storage for resilience?

Ana Musat: There is one final thing to mention. We have looked at some numbers around how much this could save consumers. Even in a context where you do not have gas prices as high as they are today, the estimate is that, with better investment in battery storage, we could save



consumers about £40 billion by 2050 just by investing in more electricity storage. That would definitely help with resilience and cost savings.

David Whitehouse: I would echo that point. That is correct. Where we produce it ourselves, that is storage and resilience, and that is where we should prioritise.

Q18 Lizzi Collinge: This panel is all about resilience and security of energy supply. Last week, we spoke to a delegation of Ukrainian parliamentarians who unfortunately have huge experience in what happens when you do not have a resilient energy system. They were telling us about how they diversified their energy mix, including particularly a rapid expansion of renewables.

What lessons do you think the UK should learn from situations like Ukraine, first of all? What are the things that we can do quickest as a nation to make us more resilient in terms of energy?

Dan Marks: Everybody is busy trying to learn the lessons, and they are emerging gradually. There are quite a few different ones, and it is important to take them together. Clearly, one of the lessons has been that decentralised energy systems are harder to hit. The lesson for the UK, though, is that it goes beyond just saying, "We need distributed generation", because if you have distributed generation that all comes into four substations, and is all controlled centrally, then you do not have a decentralised energy system. You have decentralised generation, but you just shift the target to a different point.

What you really need is localised systems. One of the lessons from Ukraine is to empower local engineers and local energy companies—distribution network operators and those kinds of players—to work more with industries that they serve. "Okay, you want to have behind-the-meter generation. That affects the grid, so we will install a battery on the distribution network". That is the lowest-cost solution; it provides the resilience.

Part of it is decentralised generation, but it is also local generation, the use of networks, empowering engineers, and moving a bit towards the distribution system operator type thinking.

Q19 Lizzi Collinge: What about from a customer point of view? We were told that, for those who could afford them, a lot of people had solar panels and batteries at home. Obviously, a lot of people could not afford them. Do you think the UK should be increasing its use of battery storage domestically as well?

Dan Marks: Yes. There are some interesting lessons from around the world on this one in particular. If households are generating quite a lot and exporting back into the grid, that can increase the system cost, because the grid has to be upgraded to take that.



HOUSE OF COMMONS

There are some examples from the US where they have semi-off-grid communities, so energy communities. In general, the rules are that you can only supply your own household, and then they will invest in batteries, sometimes in the household or in the grid. We should not be too wedded to, "Okay, the battery should be in the household so that those people who can afford it can protect themselves". Enable households to generate to an extent and to install some of that, but also to put some of that on the grid in the local networks so that all households benefit from the battery. The battery does not necessarily have to be in the house; it can be in the transformer in that local area.

Q20 Lizzi Collinge: What do you think are the things we can do most quickly, given that we are in the middle of a crisis that will inevitably impact prices? It hopefully will not impact supply, but it will definitely impact prices. What are the quickest things that you think we can do?

Dan Marks: There are quite a few things. One is allowing distribution companies to use batteries as transmission. The goal is to enable industry to protect itself. One of your most exposed groups is mid-sized industrials. Over 95% of industry is on the distribution network. Most of them are not protected by the supercharger or any other kinds of price protections, so they are very exposed. They are ultimately protected by the price cap. They need to be able to invest in their own alternative sources, and that requires that they work with the local network, the combined authority and all those kinds of things. Those are things that you could potentially do quite quickly.

Q21 Lizzi Collinge: Are there currently any barriers or things that need to change in terms of regulation to allow that to happen?

Dan Marks: Yes. My understanding is that DNOs are not currently allowed to install batteries because of the potential for it to affect the price. It is somewhat complicated, but effectively you would want a battery used as a grid asset not to be responding to price; it is just there to prevent voltage fluctuations and to keep stability in the local network.

Germany and the Netherlands have done quite a lot on this. The Netherlands is using mobile batteries. Basically, the idea is that you bring in a battery until you can reinforce the network, but it gives you a stopgap so that you can rapidly protect your industrial base.

There is probably more that could be done on industrial demand management. There has been a new scheme, but it is not being taken up. It is not used as much as it perhaps could be. Allowing industry to manage its load saves it money, saves the grid money and is more efficient. Those are things that could be done relatively quickly. You could also potentially look at some financial interventions, but I would need to think them through in more detail.

Q22 Lizzi Collinge: Finally, if we can flip to looking at defence rather than energy, our defence capabilities currently rely very heavily on liquid fuels.



That in itself creates a vulnerability and a cost issue. How do you think UK energy and defence policy should balance that speed of decarbonisation with operation and security priorities? Is there something that you think should be done differently?

Dan Marks: Yes. The use of and dependence on fossil fuels is a big challenge for defence. Clearly, you cannot sacrifice your capability, but some work has been done. There is a lot more that needs to be done, partly learning from Ukraine.

Going back to that, there are quite a lot of operational things that have happened in Ukraine, such as the use of batteries, the use of drones and the electrified frontline. Some of that thinking is happening, but more could be done to bring in the energy technology providers and put them in the same room as the defence companies and defence decision makers to think about how we can do this better. Are there new ways that we could use electrified systems at the front?

This is happening already with drones, electronic warfare and all of that kind of stuff. It all needs a power supply in the end. How do you use your microgrids? How do you use your renewable technologies? How do you use your batteries? Then how does that interface with your diesel generator? Could we be using more electric vehicles in logistics or synthetic fuels? There are things that are going on in Europe, especially around sustainable fuels, but certainly there is a lot more that could be done. It needs a bit more of a concerted effort.

From a defence perspective, budgets are tight. Even with expanded spending, it is a very tight environment, so there is not a lot of scope for experimenting and investing. That needs to be thought through. There needs to be a central push, with funding provided and all of that kind of stuff.

Q23 Graeme Downie: I want to develop some of the points that Lizzi has just been talking about around defence and energy security. Dan, I am aware that you just had to answer all of that. I will come back to something with you around cyber in a second, but to David and Ana in particular, given the threats that we see from both physical and cyber-attacks around the world, do the UK Government currently take those threats seriously? How closely do they work with you?

David in particular, I was speaking to someone a few months ago in the oil and gas sector who had a key question, which was just, "If I see a Russian frigate pop up next to my installation, I don't know who to call". Can I ask you to pick up that very specific point? Do you feel that we take both physical and cyber-infrastructure seriously?

David Whitehouse: The answer is that we always have to show no complacency whatsoever. We have to up our game. The UK Government do see that. The Department is convening a security and resilience taskforce to make sure that we are specifically addressing these issues. We absolutely welcome that.



HOUSE OF COMMONS

Coming from an oil and gas background, we have a history of 50 years of resilience for our offshore assets. This is not the first time we have looked at those kinds of threats. Do we need to move faster? Absolutely. We do not really have a reporting system for identified issues around our assets. Industry, working alongside Government, is putting in place guidance on that and will look to deliver that within the next month or so. We need the appropriate database where that data is collected and analysed. There is more work to do, but it is in action.

- Q24 **Graeme Downie:** What would you like to see that guidance say? What should the role be of Government in that? What should that guidance say and how strong would it be? How do you assess the current threat?

David Whitehouse: For us, we see activity around our assets. In some way, shape or form, this is something where we have real expertise in our offshore installations. We have been doing this for a long time. Government and industry working together on appropriate levels of reporting is the process that we have ongoing. We need to over-report, not under-report, and make sure that those reports are then seen at the appropriate level. That is in action.

One thing that is also worth flagging is that we have an exercise with the Department coming up.

- Q25 **Graeme Downie:** Which Department is that?

David Whitehouse: Sorry, DESNZ.

- Q26 **Graeme Downie:** Is that co-ordinated with the Ministry of Defence and other Departments?

David Whitehouse: At the moment, it is co-ordinated with DESNZ, but it will bring in those other actors, specifically looking at those physical and cyber vulnerabilities that we have on our assets.

Coming back to some of the simple things we can do, one of the many learnings from Ukraine and others is to make sure we get the basics right. We have very good guidance in the UK about what good cyber-security looks like. We need to make sure we are following it. That is really simple, good guidance. It is amazing how vulnerable we are to simple things such as not changing passwords. It is trivial, but do not underestimate how important it is.

In terms of consumers, it is difficult to change the price of things in the short term. There is so much more that we can do to make sure that we are reducing the demand. Give consumers the advice about, "Get your boilers running efficiently", and all that good stuff. There is some really important stuff.

Ana Musat: I just have a couple of things to add. The nature of the threat landscape is changing, and we have to be really aware of that. We recently ran, with RUSI and Public First, a wargame exercise involving



HOUSE OF COMMONS

corporate-level emergency planning, as well as the System Operator, National Grid, DESNZ and oil and gas, as well as renewables operators. We have looked at different scenarios of things that could feasibly go wrong on the energy system, all based on the national risk register, including loss of power in pipelines, cyber-attacks and all of that.

In principle, we are very good at reporting and managing impact at asset level. What we are not as good at is escalating that upwards and understanding, "Okay, if there is a co-ordinated attack on multiple assets—so oil and gas, renewables, all of that—what does that mean for the system as a whole?" If we look at the incident that happened in Poland at the end of last year, again, that is a really good example of small attacks on distributed assets.

Q27 Graeme Downie: To be honest, that would be my larger concern. A large attack on one thing is easier to spot. It is much easier to assign blame, frankly, and it would have larger global consequences. Small distributed attacks may not immediately look like an attack.

Ana Musat: Exactly. Also, just looking across the whole business landscape, cyber-attacks are probably the most likely type of crime that a business would be confronted with, so we have to be really resilient to that.

Q28 Graeme Downie: Do you work with the National Cyber Security Centre as part of the exercises that you both described?

Ana Musat: We do. One of the key things we would like to see is a revision of all the guidance around cyber-security to make sure that it is fit for purpose as we are undergoing the energy transition.

Q29 Graeme Downie: What more do the Government need to do to help you do that?

Ana Musat: Have really tight co-ordination across Departments. There are things that NESO is doing, for example, around revising the guidance for what counts as critical national infrastructure and how cyber regulation applies to that, but we have to understand how that plugs into the work that other Departments are doing.

There is also something about revising the thresholds around what counts as critical national infrastructure. As we are moving towards a more distributed system, the old definitions probably need to be revised again. I would say that there need to be really close links between industry and Government as we revise it so that we design something that is secure from the get-go, and so there is clear agreement on who pays for it if there is additional infrastructure.

Q30 Graeme Downie: You have just picked up the next point, actually. Maybe I will ask Dan and Ana to pick that up. I am thinking about what co-operation we need to have with allies, whether it is Norway or the Netherlands, and who pays for this. Dan, you say you have done a lot of



HOUSE OF COMMONS

work in this area generally, but are there things you want to pick up there as well? Is there anything Ana wants to add on cost?

Dan Marks: Clearly, especially when you have a lot of infrastructure offshore, your co-ordination with allies is key, not only in monitoring the offshore environment but in understanding what is coming, whether it is over the top of Norway or through the Baltic.

As more is built out in the North sea, especially if networks or multinational projects start to emerge, they are quite a good opportunity to test some of these concepts and how security works between states. Clearly, co-ordination is needed on this in a few areas. Standards is one so that they are more aligned, especially on cyber and things, but it is also about supply chains. We had decisions today on Chinese involvement in the UK, but it is very important that we co-ordinate as much as possible with what is happening in Europe so that we are all moving at the same pace on what are quite difficult issues in terms of supply chain security.

Supply chain investment in things like minerals is also a place where it would be particularly important to work with Europe and all our allies.

Q31 **Graeme Downie:** David, just to move back to something you mentioned earlier, notwithstanding the comments you made about the importance of security from oil and gas, there is something I get asked by constituents a lot, and I would like to make sure I can give them a very clear answer. If we increased oil and gas extraction now, would that have any meaningful impact on energy prices now?

David Whitehouse: Do you mean the tax that would be paid?

Graeme Downie: No, just on the cost, sorry. Would increasing oil and gas now reduce the price of energy, or would you continue to sell, understandably, on the international market?

David Whitehouse: It would have a small impact on our gas prices. If you track UK gas prices with Europe, it would, but, yes, the oil would be sold on the market. The Chancellor would have the choice to intervene.

Graeme Downie: It is not a criticism. It is something that is really important. We need to be clear when our constituents ask us that question so we can say, credibly, that that is the case, notwithstanding the points you made earlier. That was really helpful. Thank you.

Q32 **Ms Billington:** Do you think that we are taking this current situation seriously enough? A number of you have made some suggestions about what we could do to improve our resilience, but none of them sounds particularly new to me. Do you think the Government, or indeed the industry, is taking the issue of energy resilience seriously in the context of national security?



Dan Marks: It is recognised as a serious issue, but what perhaps is missing sometimes is the emergency mindset that now is the time to break things.

Q33 **Ms Billington:** What would you break?

Dan Marks: The electricity market, most likely. It is a moment for radical thinking. There is a fundamental problem with just waiting for the electricity markets to solve things. Yes, maybe by 2035, when there are a lot more renewables, we will be much more insulated from gas price shocks, but that is quite a long time to be absorbing the cost, so what can we do now?

We have spent years and years on REMA. That could be done more quickly. There are experts in electricity markets in the UK. There are a lot of people who really understand this. My colleagues might not be so keen on these ideas, but you could come up with new designs quite rapidly. You would have to test them very thoroughly through consultation, so it is not something that would happen overnight.

Q34 **Ms Billington:** Forgive me. If we are in a war situation, perhaps we should not be thinking about consultations. We should be thinking about testing, learning and growing on the job, because otherwise we are going to be in a situation of very significant security issues.

David Whitehouse: Just coming to your general question of whether we take it seriously enough, we should all hold a mirror up to ourselves. Did we really learn the lessons from Ukraine? I am not sure we did. Are we more resilient than they were in Ukraine? We can point to certain things and say, "Yes, that is good", but, please, let us not pat ourselves on the back too much. Are we more exposed? We import more energy than we have at any time in our history. Did we learn that lesson from Ukraine?

Q35 **Ms Billington:** For example, can I just ask you this? The Chatham House report on Ukraine says that having gas in the system means energy prices are vulnerable to geopolitical shocks and conflicts. Do you accept that?

David Whitehouse: The point is that we have gas in our system.

Q36 **Ms Billington:** You do not accept that?

David Whitehouse: We have gas in our system. The choice is: are you going to have gas in the system that you import, or are you going to have gas in the system that you produce yourself? I think we should have gas in the system that we have produced ourselves.

Q37 **Ms Billington:** In specific terms, how does increasing North sea production insulate us from price shocks, given that we do not own the reserves or set the price?

David Whitehouse: You have to look at it in the round instead of this idea that it is just about price. It means that we have access to that gas.



HOUSE OF COMMONS

Q38 **Ms Billington:** You do not get first dibs. It goes into the market.

David Whitehouse: It goes straight into our national grid. The gas that we produce goes straight into our national grid.

Q39 **Ms Billington:** We do not get a British discount, do we?

David Whitehouse: It goes straight into our national grid, and you do get a British discount because it pays billions of pounds in tax; it supports jobs in our communities; it supports the supply chain that we need for that broader build-out of renewables. You absolutely get a British discount from the British molecule.

Q40 **Ms Billington:** Can I look again at the issue of how gas systems such as that of the UK can be extremely vulnerable to attack? Is that part of the problem?

Ana Musat: Exactly, as long as we rely on gas setting the price, we will be really exposed to that. If we compare where we are in the UK with other countries, in the UK gas sets the price of electricity 85% of the time. That compares with about 7% of the time in France because it has a lot of nuclear. Spain is doing much better because it has a lot of renewables, so it has brought down the amount of time that gas sets the price to 19% from 75% in just five years.

We can do more to ensure that we use gas less overall, so that what sets the price of our electricity is renewables, which are cheaper. That is one lesson that we actually have learned from Ukraine. There has been really accelerated deployment of new renewables. The latest AR7 auction is going to cut our UK gas import bill by about £5.5 billion a year.

What we could do more of is on electrification. That is one area that has been lagging behind. In terms of either industries or consumers, we have to enable them to use more batteries. We have to give them some of those electricity discounts. The announcements yesterday saying, "If you are located in a constrained area, you can get really cheap power" are great. We should be doing that with businesses as well, but also supporting them to electrify, because there is a capex cost that they cannot really afford to pay at the moment.

Q41 **Ms Billington:** Some industry experts say that, even if the strait of Hormuz was to reopen tomorrow, it would take up to six months for normal supplies to resume. Are we effectively already in a war situation when it comes to our energy security?

David Whitehouse: I think that is right. If you look at forward projections of commodity prices, in reality they come down in that 12 to 18-month period, so absolutely we are going to see that price shock.

Coming back to the whole piece around our own gas, you do not protect our consumers by importing gas. You protect them by having our own UK molecules. That is what we require. See it not simply in terms of an electricity piece. Some 75% of our energy system is fuels. It is oil and



HOUSE OF COMMONS

gas doing other things than electricity. They are also the feedstock for other things we need in the UK economy.

One thing that we have not learned from Ukraine is: are we producing enough of the petrochemicals that we need to survive? We as a country have chosen not to produce ammonia. That means we cannot make our own fertiliser.

These things are complex. They should not become a polarised issue; I know they are not around this table. We have taken our eye off the ball, as a country for decades, in terms of what we make and its importance.

Q42 Ms Billington: Again, if we are in a situation where it is going to take that long to recover, what are the things that we should be doing now, in those six months before anything were to resume, so we could crack on with making the transition and so we were more resilient in the future?

Ana Musat: One thing that I would say is to get the shovel-ready projects that are ready to build and get them online as soon as possible. Allocation round 8 is opening this year. There is over 17 GW of offshore wind that is eligible. They have prices at about half the price of new gas, and much less than the price of new nuclear. Let us get those built.

Enabling consumers and businesses to electrify, to use batteries and to make great use of flexibility would be great. We can do more on those flexible tariffs. Again, you have businesses that really embrace this flexible behaviour, maybe producing at night to make use of cheap power. We need to roll that out at scale much more.

Currently, in terms of flexible tariffs, those discounts are not significant enough to drive behaviour on a large scale. If we encourage that, it could also help us in an emergency situation where you might need to flex behaviour because the grid is really in trouble. That is a lesson that we could learn from Texas. They really drive this flexibility in their system throughout the year. At times, when they had really huge storms, for example in 2024, they were able to dial demand and supply up and down, and get the system to cope much more.

Q43 Ms Billington: Would that reduce the risk of blackouts and rationing?

Ana Musat: Exactly. It is not saying to consumers, "You must switch off". It is more about giving them the choice to use power when it is cheap, but the point is that you could also use that in an emergency situation and reduce the risk of blackouts, because then you do not have those peaks at the same time.

Q44 Ms Billington: What assessment does the panel make of the risk of rationing and blackouts at the moment?

Dan Marks: At the moment, the view is that the UK should be secure for some time. Unfortunately, the reason for that is that the UK can outbid other countries. If there is a global shortage, the UK pays more, and



HOUSE OF COMMONS

volumes of oil and gas are diverted from places such as Bangladesh to the UK and Europe. That is exactly what happened in the past. They have power outages and we have high prices. That is the way the global market works.

There are quite significant global consequences to this kind of thing. For the UK, certainly I know that the Government have their own assessment on that. My understanding is that we should be relatively secure from blackouts and oil and gas shortages for a few months at least.

David Whitehouse: I just reiterate that the UK has a diverse supply of energy. Of course there are concerns, but we are in a good position. Let us just move ourselves forward five years and make sure we are in a more robust position. We are already consulting on the need for gas for the system, so let us make sure that we meet that challenge and that we have sufficient gas resources in 2030. Again, I would advocate for us producing our own. Rather than import, let us support our own jobs. Let us get that right. Let us make those decisions on things like electricity transmission charges, which will help us accelerate some of the renewable build-outs.

Q45 **Chair:** Do you make the same point about oil, David? Oil does not all come ashore in the same way that gas does.

David Whitehouse: I would. Let us look at energy security. Of course, we look at it nationally; I would look at it on a European level. Some 80% of the oil we produce ends up in either European or UK refineries. Shame on us that we do not refine as much. It ends up in European refineries. The Europeans see the UK's North sea oil and gas as a significant part of European energy security. I see it as that as well. Again, it pays tax, supports jobs and supports communities.

Q46 **Torcuil Crichton:** This is a quick question, Dan, because you alluded to it. The Chinese company Ming Yang has been blocked from opening a big turbine factory in the highlands today on security grounds. Is that the right decision by the UK Government?

Dan Marks: It is hard to say without seeing the assessment. The question of whether there is a process for this has been part of the problem a little bit. How effective is the process? Who is involved? Could more be made public about that? Which Department is even making the decision? Which Departments are feeding in?

It is difficult to say because, at the end of the day, with these types of decisions, you need input from all the different stakeholders, including the Foreign Office, the security services, DBT and DESNZ, and then you have to weigh them up and make a decision.

Quite possibly it is the right decision, in the sense that you do not want to end up in a situation where you wake up in 2035 and the only supplier is Chinese. There is nothing to say that you should not have Chinese competition, but the real question is: is that competition managed so that



HOUSE OF COMMONS

you are not dependent on one country? Is that competition secure so that you are not exposed to Chinese Government decisions?

The only way to be as confident as you can about that is to have a process that is fairly transparent, so a framework like the National Security and Investment Act or telecoms whitelisting. With things such as that, people can look at it externally and make a judgment on the basis of what we know, but with this decision there is not a lot that is public about it.

Q47 Torcuil Crichton: Is China a competitor for our security of supply or a threat to our security of supply?

Dan Marks: It depends what choices we make. We can work with Chinese companies in some areas. We can import some Chinese components, but if we do it badly, yes, there is a potential national security risk. There is no doubt about that.

Q48 Graeme Downie: David, I just have a very quick question to you, not to test the Chair's patience any further. Given the issues Polly raised about how much of a conflict or war we are already in, can you imagine a scenario or would it be helpful as part of that planning to have a scenario where, as you said, in certain circumstances not only would we have to transfer oil and gas from the North sea to the UK, but we would have to guarantee a price? Is there any circumstance in which you can imagine your members being thrilled with that suggestion?

David Whitehouse: The short answer is that, when you look at oil and gas around the world, there are plenty of examples where there is a fixed price for oil and gas. My members will be well aware of those models.

Q49 Graeme Downie: Where are those models?

David Whitehouse: Where you find them is, generally speaking, in less developed places where the market does not really exist and that is how you get started. To be honest, that is how the UK started as well.

Those are not new ideas, but usually, when you have a well-developed market, where does the risk sit? Quite often, the risk associated with fluctuating oil and gas prices, for example, sits best with the operators. It is their risk. Prices go up and down. They can manage that risk themselves. I know you do not necessarily accept this, but introducing this oil and gas price mechanism in some way, shape or form means that, when prices go up—I know you don't necessarily accept this—the Treasury takes a significant amount of additional tax.

Graeme Downie: I absolutely accept that.

David Whitehouse: In some way, shape or form you achieve that same goal because you have that tax, and then the Chancellor has the opportunity. Give that to consumers; give that to our businesses, and use the tax in that way. A fixed price is something that happens elsewhere in



the world, but when markets are well established, usually that is not the path you go down.

- Q50 **Graeme Downie:** If the Government came to you now and said, "We will look for ways to allow you to grow production in the North sea quickly if you guarantee a UK price?", what would you or your members likely say to that?

David Whitehouse: They would come back with the same thing. People are used to that in other places, but often it ends up not being the right solution because the best way of managing it is through those market conditions, and the UK can protect itself because of those additional tax revenues.

Introducing the oil and gas price mechanism now would provide an incentive for that investment. That investment would follow. Again, it would support the jobs of people like me, and it would provide the energy that we want. If the Government come to us with that, we can have that dialogue. Experience historically has said that that ends up not being the right path, but it is not something that people have not done before.

- Q51 **Chair:** To put it in the terms that the occupant of the White House might, there is a deal to be done. The nature of it, perhaps, is more of a question. Is that fair?

David Whitehouse: There is a deal to be done. We should produce our own energy. We all have a national interest in producing our own energy. Not only is there a deal to be done, Chair, but it must be done. We cannot sit here in five years' time increasing our reliance on imported energy. Of course, we will build out renewables. There is a deal that must be done. We must unlock the opportunity. We must support the companies and people who work in this country.

Chair: Thank you. As luck would have it, we can put your points to the Minister in about 45 minutes' time, and I am sure we will do that. Thank you very much to our first panel for your evidence. That is the end of the session.

Examination of witnesses

Witnesses: Alex Grant, Gordon Balmer, Alan Gelder and Elizabeth de Jong.

- Q52 **Chair:** Welcome back to this afternoon's session of the Energy Security and Net Zero Committee looking at resilience and security of supply in the light of the Iran conflict. Welcome to our second panel. Can you introduce yourselves?

Gordon Balmer: I am Gordon Balmer. I represent the Petrol Retailers Association. Our members include major supermarkets, independent forecourts and motorway service areas.



HOUSE OF COMMONS

Elizabeth de Jong: I am Elizabeth de Jong from Fuels Industry UK. Our members supply over 85% of transport fuels and include the four surviving refineries.

Alan Gelder: I am Alan Gelder, SVP for refining, chems and oil markets at Wood Mackenzie. We are a commercial organisation. I am here to give you an oil market and refined products outlook, if that would be helpful.

Alex Grant: I am Alex Grant. I am UK country manager and global head of crude trading at Equinor, which is a majority state-owned Norwegian energy company that supplies around a third of the UK's gas and about 20% of its oil.

Chair: Thank you all very much for joining us. We look forward to hearing your evidence.

Q53 **Lizzi Collinge:** Today's session is on energy security and resilience. Obviously, events in the middle east will have an impact on that and on prices. Certainly, my constituents have noted prices, particularly for heating oil, being problematic for them.

I would like to understand the perspective from the various industries represented today. What impact might the Iran conflict have on your areas? What impact has it had, and what impact might it have in the future? What are the different scenarios that you are planning for? Particularly, what impact will it have on our constituents?

Elizabeth de Jong: I always want to be really careful about speculating in a changing market, but I can say that there are no current concerns about supply over the normal timeframes by which our members plan their supplies. They are working very hard to maintain that stable supply.

I also want you to know that we are working very well with DESNZ. We brief them at least twice a week. We brief them at ministerial level. They are showing a great interest in inventory levels and product types. The Government have a great amount of knowledge. They also have a mature process under the national emergency plan for fuel, should that be required.

I feel that element of work with DESNZ is going really well, but now is the time for us to decide what levels of resilience we want in the UK for the future. I would really like to explain to you that the number of refineries that a country has is really important for its resilience. Since 2022, the last shock, we have lost two refineries. If we do not want our resilience to worsen, we need to take action now. We need a change in Government policy to address that.

I was last here in front of you in October. I spoke about the carbon border adjustment mechanism and how important that is for the carbon prices we pay, but countries in the middle east, India and the US do not pay. What happens to our industry when that is not addressed?



Q54 **Lizzi Collinge:** Sorry, can you explain what refineries do, what products come out of them and therefore what the benefit is for our country?

Elizabeth de Jong: Yes, that is a good idea. A refinery takes crude oil. The markets around the world for crude oil are more liquid, so there is more crude oil than product. We take crude oil and we make products. The products that we make are things that you use for everyday life. We produce petrol, diesel, heating oil, jet fuels and all sorts of other things that people use in the NHS and in every facet of life today.

Q55 **Lizzi Collinge:** I am just aware of time, so can we move on? Can I ask Alex what the impact on him has been?

Alex Grant: In my two roles, given the situation, almost 100% of my time now is spent on crude oil trading globally. We have a fleet of around 80 vessels at any one point. We have vessels that are caught up in the Gulf situation. We have vessels that are delivering into Asia and speaking to Korean, Chinese or other companies. We have vessels and product in the US pulling out of there.

Looking from that perspective, I have just a couple of observations. On the big question, I have no better view than anyone else. That is: when will the strait reopen? Just for a bit of context, there is no shortage even in Asia yet. Vessels take 25 days or so to sail there, so at the moment they are still just about receiving the same amount of oil and products that they have always received, but they can see on the horizon a big drought and suddenly nothing coming. They do not know where that tunnel ends because they have not seen the strait reopen.

The stress in Asia, as a physical shortage problem that they can see coming, is felt much more acutely than it is here. Just as an example, we look at the financial markets and we see Brent trading at—I forget now; it depends on what tweets come out—\$100 a barrel. An Asian customer now would pay us \$200 a barrel if we had a barrel there.

Q56 **Lizzi Collinge:** That links to something we heard in the last panel. Part of the reason that our supplies are secure here is that we can outbid other parts of the world. In the longer term, assuming the strait is open, but prices are high and we are still feeling the impact, we can outbid other parts of the world. That raises questions for me. We can secure a supply, but how much is it going to cost? How much is it going to cost consumers, industry and all that?

Alex Grant: Predicting the oil price is very hard.

Lizzi Collinge: It would be a fool's game.

Alex Grant: We look at \$100 a barrel and that looks high, but we need to remember that we have had a lot of inflation in recent times, so \$100 a barrel in today's terms is 2020's \$80 a barrel, and \$80 a barrel, by the way, if you go back in time and exclude the covid blip, which I could come on to, is not that far off average. Where you look at the oil price



now at \$100 a barrel and it looks a big nominal number, in a historical context it is not that high. I am not predicting that it will go higher, because that depends on when the strait opens. If it goes for longer, it will. All I would say is that there are scenarios when you look back and say that \$100 a barrel was cheap.

Q57 Lizzi Collinge: I do not have very much time left, so I just want to move on to petrol. Obviously, consumers see the price at the pump, and that is one of the first impacts they see and feel. From a retailer's perspective, how has the Iran conflict affected how you operate, what you supply to your customers and at what price?

Gordon Balmer: Since the crisis started, petrol has gone up by nearly 17%; the wholesale price has gone up by over 30%. Diesel has gone up 33.4%, but the wholesale price has gone up 44.7%. There are a number of different buying platforms, which means how retailers buy their fuel from their fuel supplier. Some can be on a three-weekly lag; some can be on a fortnightly lag; some can be on a weekly lag; and some can be on a daily lag. There are a range of prices out there. A situation such as this particularly exposes those that are on a daily lag. They have no choice but either to price their pump price at a higher level or sell at a loss. That is impacting a lot of small, family-run businesses around the country.

To be quite honest with you, some of the rhetoric around price gouging and profiteering has been unhelpful. I have mentioned this in the press and directly to Government. The people this actually impacts are the people who are working on the forecourt trying to do their job and to keep motorists on the road. That is obviously a big issue.

One of the other things that we need to do, just echoing what Elizabeth said, is to be very careful with our language, particularly in the media. The last thing we want is to create any sort of artificial run on the pumps and any panic buying. We are working very closely with the Department for Energy Security and Net Zero on the national emergency plan for filling stations. In the event of that being enacted, there are a number of forecourts that are designated to be kept wet and to supply essential services. These are the things that we are doing.

Q58 Lizzi Collinge: Finally, we have heard that, in crisis, prices rocket up and then float down like a feather. Do you expect that to be the case even when the strait of Hormuz is open again and the supply is turned back on? Do you expect prices to come down very slowly? Do you expect them to come down quickly? What would be the normal pattern for you and why?

Gordon Balmer: As you know, the Government have instituted the fuel finder scheme, and the vast majority of our members are signed up to that. Prices are much more visible now. Motorists can see them in real time. We are working very hard to get the ones that are still remaining on to that scheme.



HOUSE OF COMMONS

There is competition out there. Our members are in competition, so we expect that, when prices come down, people will be competitive and price fuel fairly.

Alan Gelder: This is the worst supply shock there has ever been. Go back to the 1970s; we have lost crude and product supply out of the strait of Hormuz that is twice that of the 1970s. It is a material shock. We have strategic stock for a reason.

What the market is very much focused on is what is flowing out of the strait. We are seeing refineries in Asia scrambling to secure supply. As Alex said, we are seeing countries in Asia trying to manage demand in some form to provide some sort of resilience.

What we do not know is, when the strait reopens, how quickly the ships that are currently loaded and waiting there can flow out. That needs to flow into the refining system, be processed and become product. The UK is a big importer of middle distillates such as diesel and gas oil, as is Europe. How quickly those things are resupplied is what determines the wholesale price, and it is the wholesale price that determines the retail price.

Q59 **Chair:** Alan, I am interested in whether you think the markets are underpricing the severity?

Alan Gelder: That is a really good question. It depends where you are. We are seeing a world that is slightly split at the moment. Alex might have some thoughts on this. We have a Brent price that is about \$100. We have an oil market that is responding to headlines, tweets or Truth Social posts on the expectation of the duration of the conflict.

We have used the phrase that the market is a bit of a "boiling frog". Every day that the supply is lost, inventories are drawn down and the system gets tighter, it pushes prices up. If you are in Asia, because freight rates are very high, you are trying to look for alternatives. People are bidding up the price of crude to almost what it is worth going through the refining system. At the moment, refiners in Europe are doing quite well because product prices have really lifted compared with crude, and that is where they make their money, but for refiners in Asia, not at all. They are competing so hard for the crude that is available that they are destroying their earnings.

It depends on what the right question is. If the strait stays closed, prices for oil and refined products will just continue to creep up, because it is inverse covid. In covid, we lost 10 million barrels a day of demand through a huge amount of mobility. If this lasts for a prolonged period, we could have that amount of supply shock. If you say that this is a very prolonged period, how does the world rebalance through very high prices to basically suppress demand?

Q60 **Chair:** Even if the strait reopens sometime soon, we have lost capacity in



HOUSE OF COMMONS

the middle east. What needs to be factored in as a result of that lost capacity?

Alan Gelder: We do all sorts of tracking. If it reopens soon, we think there is about 10 million barrels a day of crude production that is shut in. Those fields need to be restarted. You can get to half production reasonably quickly, so within a couple of days. Then it takes some time. If it suddenly ended tomorrow, prices would probably drop reasonably quickly and we would not have security of supply issues. The benefit of the prior crises is that we have strategic stocks that can be drawn upon. If the conflict is very, very long, those strategic stocks simply are not enough.

Ms Billington: What is very, very long?

Q61 **Chair:** You are coming in in a minute. Let me carry on, because otherwise we will never get through the session. I have one other question about jet fuel, which we have not touched on. Should we be getting worried about the supply of jet fuel?

Elizabeth de Jong: This links to the resilience points I wanted to make about refineries, potentially. The International Energy Agency says that refineries are very important for resilience. In its model of a secure energy system, it says that any imports greater than 45% for diesel and jet indicate a high-risk, low-resilience position for a country. We import 55% of diesel and 80% to 90% of jet. Alan will be able to tell us where the jet comes from.

Alan Gelder: It is mainly the strait of Hormuz.

Elizabeth de Jong: That is the position there.

Chair: This is one of those: "I refer you to the answer that Alan gave earlier".

Elizabeth de Jong: That is right, but I wanted to make the case for our ability to refine, because we have seen that in the prices as well. For petrol, we are a net exporter; for diesel, we are a net importer.

The prices of diesel that you have seen at the moment are rising at twice the rate of petrol, so it is really important, and the Government know how important our ability to refine in the UK is as well. They commissioned a study from Deloitte in 2015, and that showed that the fewer refineries the UK has, the greater the negative impact of global supply disruptions. Refiners are really important. The markets for crude are more liquid, so we can get more of that. For products, in particular jet and diesel, and heating oil, which is the same as jet, it is really hard, and the prices go up.

Chair: That is very helpful. Thank you.

Q62 **Graeme Downie:** You have answered some of the questions I was about



HOUSE OF COMMONS

to ask, but I want to go back to something Gordon was talking about earlier when it comes to avoiding a rocket-and-feather effect. In my own patch in Dunfermline, we see that prices are already 4p to 5p a litre higher than even a few miles down the road. Would it not be more helpful for those people to expect a smoother return to prices that are more equal?

We actually have two large retailers, Tesco and Asda, that largely dictate the price in the rest of the market. It is not competitive and it does not work. Is there an opportunity with this crisis, when those prices start to fall, perhaps to encourage your members to make sure they fall equally and not so geographically within a very small area?

On a similar point, I absolutely take the point you made earlier about the importance of retail workers. In the engagement I have had with your members, the replies I have had this week have been disappointing in terms of the opportunity they took to explain the points that you are trying to explain. It does not help conversations, frankly, with local constituents who see higher petrol prices and their concerns being dismissed. Can I ask you to pick up those two points?

Gordon Balmer: Obviously, I cannot encourage members around pricing. I am not allowed to do that. That is a commercial decision for them. However, I refer back to my earlier statement. The fuel finder scheme now exists. Members of the motoring public can use a handy app called PetrolPrices.com, and that will give them the best prices in the area. They can use that.

Q63 **Graeme Downie:** That does not really help if there are two retailers that are essentially controlling the prices in an area.

Gordon Balmer: As I said, I cannot speak on behalf of their commercial activities. That is down to them. It is called competition.

Q64 **Graeme Downie:** That is disappointing. I understand why you cannot dictate to them, but maybe encouraging members to be a bit more open and forthright when they are discussing with politicians would be helpful.

If I can move on to talking about North sea oil production, Elizabeth, you have covered a little bit of this already when it comes to refineries. What Alan or Alex probably want to pick up in particular are the short, medium and long-term implications of increasing North sea production. We covered some of this with the last panel as well, but what are the upsides and downsides of that?

Alex Grant: Maybe I can deal with the price point first. I work for a Norwegian company. It produces and exports 2 million barrels a day approximately. It does not do anything for the consumer's price in Norway; nor would it for any other country in the world, but the oil price has gone from \$60 to \$100. Let us say it stays at that for a year, just for ease of maths. Those 2 million barrels a day will generate \$35 billion extra, of which 78% is tax. I might have got my maths a bit wrong, but let us say \$25 billion of tax. The Government can then choose what to do



HOUSE OF COMMONS

with that. The fact they have the 2 million barrels a day does not do anything for anybody's price, but of course the Government have \$25 billion to decide whether they want to help on price or hospitals, or whatever it may be.

It is not a price piece. People who are net exporters benefit from higher prices; people who are net importers lose from higher prices. If there is a benefit, there is a role for Government to make sure that is fairly distributed between shareholders, tax, et cetera, but no oil production anywhere in the world helps consumers with prices. It is a world price that is set on the world stage. That angle is different from what David presented earlier, but that is the way we see it.

The UK is actually quite fortunate. If you think about Europe, I do not know the exact number, but we still have 40% net production. We are not a 100% net importer at least. Relative to Europe, we are still not that short on refining. We were a net exporter of refined products, so when the refining margins increased, we had this angle. Now we are a net importer, but not as much as Europe. If you go forward 10 or 15 years, the direction of travel is that we will be a massive net importer, and we will be a massive net importer of products as well.

Q65 Graeme Downie: Alan or Elizabeth, do you have anything to add? Elizabeth, maybe you want to expand on some of the points you made earlier about refineries.

Elizabeth de Jong: Yes, I would like to pick up the point that Alex made about the direction of travel to become import-dependent. That would have such an impact on our energy resilience, and it is just not where we would want to be, needing to buy product. You have seen the difference in the diesel prices where we are net importers of that versus the petrol where we are net exporters.

There are many things that we could do to stop that eventuality happening. During this conflict, last week we got a letter from the Treasury saying that the sector would not be getting a carbon border adjustment mechanism for January 2026, when the carbon prices in the sector are forecast to increase by a couple of hundred million pounds a year. That decision could be reversed, and it would add to our energy security, our fuel security and our ability to weather storms like this. All it would take for it to be reversed would be an additional couple of people in the Treasury to be allocated to that project. We are being turned down because of the work they are doing to get other sectors into the carbon border adjustment mechanism for January 2027.

If there is one thing that we could take from this session to increase our fuel security, and to help with price increases and reducing those in the future when these types of events happen again, it would be to reconsider that decision.

Q66 Graeme Downie: Just on CBAM, I had a meeting this week with farmers



HOUSE OF COMMONS

who were similarly concerned about that. Have you had cross-industry or cross-sectoral discussions around CBAM to engage with the Treasury on that issue more broadly?

Elizabeth de Jong: Yes. We are working with manufacturers. We work through the CBI as well.

Q67 **Graeme Downie:** There are other sectors to approach. I would suggest perhaps the NFU, certainly in Scotland. Those I met yesterday raised that very briefly with me as part of a much larger conversation.

Elizabeth de Jong: Thank you. It is a decision that I fear we may live to regret as a country. It would bring money into the Treasury as well at this time. I find it a really hard decision to understand.

Q68 **Torcuil Crichton:** Just picking up on the carbon border adjustment mechanism, Elizabeth, that is about nitrogen as well, is it not? It is about fertiliser.

Elizabeth de Jong: There are a number of different products that are going to be in the carbon border adjustment mechanism. Because we do not have a level playing field on carbon costs, it addresses that level playing field. There are a number of sectors that will be in it from January 2027, but our sector will not be in it now. We have no timelines for when the Treasury will consider us for it.

Q69 **Torcuil Crichton:** This is pen-stroke policy. It is just changing the policy, is it not? That is all it needs.

Elizabeth de Jong: It is just changing the policy. It is putting an additional couple of people in as the resource. You could deliver it this year if you put an extra couple of people on the project.

Q70 **Sir Christopher Chope:** On the CBAM point, to what extent do you think this is impacting or could impact the financial viability of the four remaining oil refineries?

Elizabeth de Jong: It would make an absolutely massive impact. There are hundreds of millions of pounds that British industry has to bear that competitors in the middle east, India and the US do not have to bear. In a multinational owning group, we look at where to invest money around the world and where to produce. It would send a massive market signal and make a massive difference to whether people continue to produce here, or whether the awful future that Alex was predicting happens, where we are import-dependent at times of need.

Q71 **Sir Christopher Chope:** Does the Treasury letter you referred to give any reasons for this, or any prospect that the Treasury recognises the importance of this issue?

Elizabeth de Jong: It gives no timescales for considering, but we know that it is not going to be considering it for January 2028.



Alan Gelder: Just to add to that, given the lack of CBAM, they will struggle to pass on the additional costs incurred by the industry, which means that the financial viability of those refining assets within the UK become materially challenged.

Chair: Thank you for the clarification.

Wera Hobhouse: I have just been to the PPA and I know that Nick Thomas-Symonds is working with your European counterpart on talking through the linkages of the ETS, which affects CBAM. I do not recognise the 2028 date. I understand that they even met today, so it is just to say that maybe there is something coming forward from the Government about ETS linkages much more quickly.

Chair: Yes, that is helpful. What we will do with this session, and this is a good example of it, is to make the points that you have made to the Department and to the Treasury where appropriate.

Q72 **Claire Young:** Just before I come on to my questions, can I clarify something, Elizabeth? Obviously, Alex was talking about accepting that, for the overall price of crude oil, whether we produce stuff domestically does not make any difference to the price; the issue is simply about the extra tax raised. You said that, when you are talking about refined products, whether we are a net exporter or importer does make a difference. Can you just clarify those two things?

Elizabeth de Jong: I would see things slightly differently from Alex, which does not mean that he is wrong at all. He has great expertise.

I would say that producing more from the North sea adds to the amount of crude in the world at times like this, so it means that more is available. That means that, if we have refiners here, we have easier access to it and are able to have it at a lower price should a similar situation to the one we have in Iran happen again.

Alan Gelder: For crude oil there tends to be one price. That is usually at the loading point. For products, you have a free-on-board price, which is the price for exporting it, and then you have a delivered price, which is the imported price. The export price is lower than the import price. If you are a net exporter, most things are linked to the export price. If you are a net importer, they tend to be linked to the import price. If you are an exporter of stuff, the producers tend to achieve a lower price. It is literally economics 101.

Q73 **Claire Young:** That was just for clarification, because there appeared to be a slight difference in what was being said.

If I can move on to my actual questions, they are probably for you, Alan, at least to start with. Obviously, we know that during the 2022 energy crisis we saw generators make record profits, and we had suppliers collapsing at the same time. Could you outline briefly how the energy companies' profits from the different business areas work from



HOUSE OF COMMONS

generation to retail, and how consumers are then indirectly contributing to the record profits that generators are making? Obviously, sometimes that is within the same company, because one company is doing all the different stages.

Alan Gelder: You tend to have companies set up with an upstream coverage where they are searching for, discovering and producing oil. That is one division. You then tend to have manufacturing, which buys crude oil and feedstocks—not necessarily what it produces—converts that into products and then sells it to the wholesale and retail chain, which is often then a different business. That is actually something that many of the oil companies do not participate in now.

Even though you will go outside and see lots of brands that are familiar, most of those retail stations are not owned by the brand owner. They are owned by dealers and small networks. Gordon can talk about this. The oil companies have tended to retreat from that retail activity, because the returns have been fairly low, and they have been focusing more on the upstream production of the feedstocks and converting them into the products that we use.

In each of those stages, there is, effectively, a commodity market. You can look at what the price of Brent is. There is a futures market. You can see it now. You can see the same for the products. The companies tend to be lined up on those value chains. Wholesale and retail have supply agreements, and the price at which things are transferred is then usually that market price that gets reported within a day. The consumer is paying the ultimate end price, but it is the result of being at the far end of the chain.

Q74 **Claire Young:** You talked about oil there, but if we think about gas, we saw home energy suppliers, for example, going bust.

Alan Gelder: I do oil and refined products, so I am not sure I am the best person to answer on gas.

Alex Grant: I am not into that retail side. The company I work for is not. We are a big gas producer. We are a price taker, so we do not set the price. The price is set by the market, the same as oil. That price is whatever it turns out to be at the time in terms of demand and supply, and we take that risk. We take the risk of investing in an oil field, and then covid happens and we are selling the product for \$0 or \$10. We also take the upside of investing, and then, when it is more valuable because more people want it than there is supply, we take the benefits. That volatility risk is taken by the upstream producer.

For the downstream, it is difficult for me to speculate, but I will anyway. You have a fixed price to your customers for a bit longer, but the price that you pay varies very quickly. Those who were more prudent and said, "If I have a fixed price to my customers, I will lock in the price I pay as well", which you can do in the financial markets, were better off. Those



HOUSE OF COMMONS

who took more risk and said, "I will take the risk that the price might go down" when it went up are caught with selling for a fixed price and paying a much higher price, and they go bust.

Q75 Claire Young: When we are looking at consumers and how they are then contributing to those massive upstream profits, is there anything that we can learn from what happened during the 2022 energy crisis that we could be applying to this one, so that consumers are not taking the hit? Equally, we do not need companies going out of business.

Alex Grant: The one thing I would say on that—and you can then bring it back to now—is that Equinor benefits from high commodity prices. A lot of people say, "Well, you must be extremely happy now in the gas crisis", but we do not think it is good for our business. What we need are stable prices that give us a good profit margin and yield stable policies and regulatory frameworks that allow us to make decisions to invest billions of dollars where the payback is over 20 years.

What we do not need are suddenly very high profits that someone taxes, big losses because the price has gone the other way, licences threatened to be taken away from us, and then, the next week, being encouraged to invest. As an example, prior to the gas crisis, Europe was much more idealistic than the UK, "We don't need gas. We don't want it. We want to make it illegal in five years". That is a quote from one of the German Ministers. Post the gas crisis and post the Russian invasion, the state-owned company signs a 20-year gas supply agreement with us.

When I was growing up, the usual economics was that the best cure for high prices is high prices. If you have really high prices, it makes renewables more competitive. That is great for electrification, which is fantastic. Here, the other piece is that high prices have made a lot of European politicians, I would say, more so than UK politicians, realise that we need it. It is not just about electricity. Electricity is the most important part, but it is 18% of our energy demand. "Oh, but it is growing". Is it? Twenty years ago, it was 20%.

Maybe it will grow a bit. We could talk about whether that is 50% or 70% from renewables, but what about the other 80%, which is all fuels? What about net zero in our UK forecast? When we reach net zero, it is still 40% oil and gas, which is going to be more than the entire electricity mix. The scale is realised and we need to stay robust to this stuff. That does not mean we should slow down electrification. We have to go with electrification and push renewables, but not shut off the rest and become un-resilient, when it is a big stack, before we have the new sources established. Europe has become more realistic towards the overall mix because of the crisis. You can extrapolate that to oil now as well.

Gordon Balmer: Can I make one point, please?

Chair: Yes. I am conscious that we are going to hold you for a lot longer than I promised, for the second time this afternoon, but go on.



Gordon Balmer: It is about the impact on the consumer. We wrote to the Chancellor on 3 March asking her to abandon the plans to raise fuel duty. There are two rises this year, one in September and one in December, and then another one in March next year. That contrasts with some other countries, for example Spain and Ireland, cutting fuel duty. It is a temporary cut in Ireland until the end of May, but that is how the Government could be seen to help the consumer. Some 55% of the pump price is Government tax in the form of duty and VAT.

Q76 **Torcuil Crichton:** Thank you all for coming in. I am sorry I was late coming into the session after delaying you for an hour. Alex, you talked there about stable prices and markets. Earlier, you seemed to make quite a good argument for the energy profits levy, because it gives us politicians lots of money to decide what to do with. What impact has the energy profits levy had, and what do you think of this alternative that was put forward in the last panel by David Whitehouse?

Alex Grant: You make the assumption that we do not like taxes. We are okay with taxes. The Norwegian tax rate is 78%. A couple of years ago, Equinor was the second biggest taxpayer in the world. We paid more tax than the FANGs put together. Norway is used to paying high taxes. The problem with the energy profits levy was not that the tax rate was high, per se. It is a more mature basin and maybe it should be a bit lower, but the problem with the energy profits levy is that it was not fair.

Q77 **Torcuil Crichton:** What was unfair about it?

Alex Grant: For Equinor, given our positioning, we were one of the relative beneficiaries. Surely, when something is not fair, if you are the relative beneficiary versus others, you should be happy, but if you see that something is not logically thought out or fair, even though you are not affected by it compared with some of your peers, you think, "Well, what could happen next time? What could happen the time after that if it is not fair?"

Treasury has spent time consulting. It has gone through and really tried to understand the dynamics. It has come up with something that not everyone will necessarily agree with, but something that is thought out. It has spent time consulting and put it in place.

There are lots of bits that we do not like, but we trust that it is fair and logical. That is what goes to the stability. If we do not understand or trust things, it is very difficult to make 20-year decisions. If something is logical, even if you would have preferred it different, that is what gives people the confidence to invest. We have done a bit of Treasury-bashing before this, but Treasury has been excellent in really getting into and understanding the issues and being logical in how it applies stuff.

Q78 **Torcuil Crichton:** Do you have a sign that it is going to change its mind on it?



HOUSE OF COMMONS

Alex Grant: In terms of applying the new, it has said that it will at some point, but I do not know the timing of that.

Q79 **Torcuil Crichton:** Just very quickly, on little notice yesterday, when she was asked, the Chancellor thought that we might get a decision on Rosebank in the autumn. There are only two seasons in politics—spring and autumn. Would you want Rosebank decided in spring or in autumn?

Alex Grant: I think you know the answer to that.

Graeme Downie: And why?

Alex Grant: The first thing that I should say is that Rosebank and Jackdaw are owned by a company called Adura, of which Equinor is a 50% shareholder and Shell is a 50% shareholder. We have tried to say that we are going to create an independent company that will work towards improving value in the North sea. The last thing that we need to do, as the big shareholders, is to fiddle with it and say everything on their behalf, but, with that caveat that they speak for themselves now, sooner is better.

The other thing to realise is that it, of course, creates uncertainty. If you have spent £4 billion on an asset where you have planning permission, and then, because of the wrong application—by Government, not by the company—of new rules being followed, you have to reapply for your planning permission, but you are three quarters of the way through building your house. Even though we see the comments made by Government that existing licences will be honoured, we are ready and expecting it, but if you are three quarters of the way through building a house, and you are ready and expecting, and you hear the right messages, you are still a little nervous. That affects other decisions that we may or may not make in the UK.

Q80 **Torcuil Crichton:** Your answer is spring.

Alex Grant: Spring, yes.

Q81 **Torcuil Crichton:** Can I just quickly ask, Elizabeth or Alan, for your thoughts on the electricity generator levy. Does that affect you?

Elizabeth de Jong: That is not something I have evidence for.

Torcuil Crichton: In that case, my questions are done.

Alan Gelder: One thing to note is that the UK's electricity price is among the highest in the world. That is not helpful.

Ms Billington: I am sorry that I had to drop out and might be asking questions that have been asked before. I am particularly interested in what will be the economic impact of the potential rationing of jet fuel, bearing in mind that is the biggest pinch point.

Chair: We have already asked that.

Q82 **Ms Billington:** Then you can ignore me. I have one other for Alex on the



HOUSE OF COMMONS

Adura project that you mentioned. As I understand it, Shell has managed to avoid paying at least 1.3 billion quid in UK tax. What is the Equinor situation with regard to that?

Alex Grant: I do not see those numbers. We have heard numbers quoted before about how Equinor has managed to reduce its tax via EPL and via investment. When we look into how they have calculated that, the Government, when they had a 50% tax, said, "We are going to put it up to 78%, but if you reinvest the money, we will allow you a tax shield, so you will be at only 65%". People then calculate that the reduction in the increase equals an amount, and say that it is a tax break from the Government.

If you see it that way, then fine, but if you calculate it, taking Rosebank as an example, not one penny of UK taxpayer money will go into it, and it will generate billions of pounds in tax revenue. In times when there is a crisis, when Government need it to subsidise heating oil and other things, it will generate many billions of pounds in tax revenue.

Q83 **Ms Billington:** Most of what comes out of Rosebank—90%—will be oil, which will go into the global market, will it not?

Alex Grant: It depends on how you look at energy security. If you have a field of wheat in the UK and it is used at the moment to export Weetabix to Europe, you could say that most of that is exported and, therefore, it is no good for our food security, but you know that the field is in the UK. You know that, if we need it, we have the field. It is exactly the same with the Rosebank field. If we can make more money as a country by trading, from which we will pay tax, why not export it? You know that, if Rosebank is needed, it will come to the UK. It is a UK field. It is a licence that we have.

Q84 **Ms Billington:** So you are suggesting that we could ban exports of oil if need be.

Alex Grant: If you want, of course you could. You could do whatever you wanted. It is a UK field.

Q85 **Ms Billington:** Have you had conversations with the Government about banning exports, for example, if we are talking about it in terms of energy security?

Alex Grant: No, because we would like, in a stable scenario, for the UK to make decisions that help not hinder its economy.

Q86 **Ms Billington:** Yes, obviously, but what we are talking about is a really profound and difficult situation right now. We are talking about energy security and resilience, and national security. If you have this situation, is that worth discussing, and are you discussing it with the Government?

Alex Grant: We would not discuss it with Government, but Government would be well within their rights for any asset in time of war. In this case, Adura licenses the fields, extracts a national resource that is the UK's



HOUSE OF COMMONS

national resource, and then sells it. Going back to the wheat field, in times of war, things that are in our country are much more secure. That is one of the big advantages of renewables as well. Those wind farms cannot be taken elsewhere.

Ms Billington: Yes. It does strike me that those would be significantly more resilient and secure than things that we end up selling on the global market, but thank you.

Q87 **Mike Reader:** I will perhaps wrap up on a couple of bits that I have heard, just because most of the questions I had down have been answered. Alex, the shadow Secretary of State for Energy yesterday called foreign gas from places like Norway “dirty” and “worse than British gas”. Is that correct?

Alex Grant: How would a politician answer this question? Norway spends a lot of money and a lot of effort on decarbonising production. We electrify a number of the fields where we produce. Around 10% to 15% of the carbon emitted in the full cycle, which is all the way down to when it is used, comes from production. It often takes a huge amount of energy to get these things out.

I wish people could go and see these oilfields when we talk about them. Some of them are like small cities that sit offshore, and they are the UK’s. Norway spends a lot of money to decarbonise scope 1 emissions. Norway has some of the lowest scope 1 emissions in the world. The UK, relative to the rest of the world, is lower, but nowhere near as low as Norway because we do not electrify, but that is something that we are trying to do as well in the UK.

Q88 **Mike Reader:** Gordon, we talked about commerciality. What benefit do retailers have in joining your organisation?

Gordon Balmer: That is why I am here today. We represent our members to Government and in the media. I have been very active in the media recently, talking about fuel pricing. We also keep them informed on what is going on. For example, we are very helpful in terms of giving the Government information on the fuel finder scheme. We have a number of roadshows throughout the UK. We go across the UK to meet our members and keep them informed on what is going on.

Q89 **Mike Reader:** For members joining your organisation, is there a code of conduct that they have to sign up to, or any bar that means you have reputable retailers joining your organisation?

Gordon Balmer: Yes. There are terms and conditions. I should just add that we are a not-for-profit trade association.

Q90 **Mike Reader:** Does that code of conduct include transparency over profits in the retail sector?

Gordon Balmer: No, it does not, because they are commercial assets.



HOUSE OF COMMONS

Q91 **Mike Reader:** Is that something that your organisation should focus on, given the price gouging we have seen from some retailers?

Gordon Balmer: I would like to understand what you mean by “price gouging”, because that implies that you know the wholesale price at which that retailer is buying. We would take any allegations of price gouging very seriously. That type of language, as I mentioned earlier, is inflammatory.

Q92 **Mike Reader:** Across your entire membership, are you certain that there is no profiteering or price gouging from members of your organisation?

Gordon Balmer: I cannot say that for a fact, but if you look at the latest data from fuel finder, which is available in the public domain, you will see the range of prices that our retailers are publishing at the moment, and you know the wholesale price as well.

Q93 **Mike Reader:** To what extent have high retail prices reflected the wholesale costs? To what extent have they been reflected by additional margins and profit in the supply chain, with your retailers taking the public frustration because of that hitting the supply chain?

Gordon Balmer: Some of our retailers, those that are having to buy on a daily-lag basis, are on negative margins now. I have had a number of calls from small, family-run businesses, many of them in your constituencies. They are having sleepless nights. They are getting abuse on social media. Some of their site staff are getting abused as well.

Q94 **Mike Reader:** Are we looking in the wrong place? We have had some evidence around excessive margins and profit-making in the supply chain rather than from the retailers themselves. Are the retailers the fall guys for others making excess profits in the supply chain?

Gordon Balmer: The problem is that, when you go to a forecourt and see the pole sign of the oil company, you automatically assume that is the business you are dealing with. Typically, it is a family-run business that has a fuel supply agreement with an oil company that brands the site in its livery. It is not necessarily the major oil company that owns the site. It is a family-run business.

Elizabeth de Jong: After the Ukraine spike that we saw in 2022, the CMA did a report on the road fuel market, in which it said that there was no evidence of excess profit by retailers. During that period, the difference between the wholesale price and the pump price had remained constant on average. It said that refiners had not earned unusually high profit margins over the medium term, and that any increase had worked itself out over the cycle.

Q95 **Mike Reader:** These are perhaps two different crises for petrol retailers. Finally for you, Gordon, if you were making recommendations to Government on how we improve resilience in the sector that you work in, what would those recommendations be?



HOUSE OF COMMONS

Gordon Balmer: One of the things that they would need to look at is the cost of doing business. The average forecourt is now going to be hit with about a 39% increase in business rates in a couple of weeks' time. We have also had to take into account national insurance increases and national living wage rises. We have record rates of crime, so fuel theft. The costs of operating a forecourt have increased significantly over the last few years.

My message to Government is, "Come and talk to us. We will give you evidence of those costs". In fact, I have done for the CMA, in reference to what Elizabeth has just said, and that is the way the Government can play their part.

Q96 **Chair:** Thank you very much. This comment about rocket-and-feather pricing comes from the CMA report in 2023.

Gordon Balmer: Yes. It said that there is some evidence, but it is not profound.

Chair: There is clear evidence in the data.

Gordon Balmer: Which report are you referring to?

Chair: The July 2023 CMA report.

Gordon Balmer: There was an update in December 2025, if you look at that one.

Q97 **Chair:** Meanwhile, retail margins on fuel have risen significantly, and the supermarkets have significantly increased their margins in recent years.

Gordon Balmer: As I mentioned earlier, what you are looking at there are historical margins from 2017 to 2020. As I mentioned, the cost profile of running a forecourt now is vastly different. Therefore, all this has to be paid for. When you look at the last report, which is dated December 2025, it will show that supermarkets' net profit is around 6% on fuel. For non-supermarkets, it is around 10.5%, but that includes non-fuel sales. If you strip those out, it is around 6%.

Put that into context when you look at what you can get for your money if you put it on deposit, or what the stock market did last year, which is about 21%. As I mentioned earlier, a lot of these are family-run businesses. In fact, 67% are independent forecourts, and these are businesses that are investing money in the fuelling infrastructure in the UK, so they need a rate of return to reinvest in their business, as well as to put in things such as EV chargers and car washes, and to improve facilities for the motorist. There is profit, but profit is not a dirty word, and they need money to reinvest in the business.

Q98 **Chair:** Yes, absolutely. I now invite you to remind the public who are watching this avidly that the people running petrol forecourts are not responsible for what is going on in Iran and should be treated with respect.



Gordon Balmer: Yes, exactly right, and that is what I have said to a number of media outlets. If we can refrain from some of the more lurid language, it would very much help the lot of the people who are helping to keep the country moving.

Q99 **Chair:** Thank you very much. I am going to come back to Alex on what he said about emissions. I was looking at some evidence earlier that the reason for higher emissions in the UK continental shelf compared with Norwegian waters is because of the stage at which the oil and gas have been extracted from each side of the boundary. Is that a fair way of describing one of the reasons why Norwegian emissions are lower?

Alex Grant: It is certainly a big part. Do I have time to comment on rocket-and-feather pricing?

Chair: Yes, go on.

Alex Grant: From the Iranian perspective, perversely, at the moment, you have the opposite. You have feather-and-rocket pricing. When will it open? We do not know, but there are two pieces of news that you can look at.

The first is the level of backwardation in the market. Backwardation is, "What can I buy a barrel of oil for in a month or two months versus now?" That is extreme. It is currently \$100. In a couple of months' time, you could buy one for \$60. I could go and lock that in. What that shows is that the market thinks it is going to open, because if it thought it was not going to open soon, that would come up. That protects Europe. If there is a European barrel and China is saying, "I will pay you a lot for that" today, by the time you get it there, the market is saying it has lost half of its value on the way. If that comes up, it does better than CBAM will ever do in terms of the size of it. That is one thing.

The second thing that you can look at is the number of vessels that are waiting outside the strait. There are vessels waiting outside the strait, and they think, "It's going to open in five days' time, so should I go and sail for 25 days with no fare, because I am empty, or should I wait only five days?" They will wait, and then wait again, and then point forward, "Well, it might open in five days". Suddenly, they are three weeks in, and they look back and say, "God, if I had known this three weeks ago, I would have gone then". Watching the vessels is a bit harder now because there is a lot of spoofing, but people will generally think it opens up.

Those are the two areas that give hope, but, day by day, the market has been wrong. Absent these little spikes, where something big happens up or down, it has just crept up—feather, feather, feather, feather, feather. When it opens, or when people think this is over, down it will come, and that has much more of an effect than any retail margin.

Q100 **Chair:** That is very helpful context. Elizabeth, you have the last word.



HOUSE OF COMMONS

Elizabeth de Jong: I just wanted to check something. In my exuberance over CBAM, I am wondering if I have given you the wrong date. It will be turned down from January 2028. That is what I wanted to make sure I said.

Chair: It was a very good idea to remind us, because the Minister will be with us shortly.

Elizabeth de Jong: That is very good. I also wanted to give you another statistic. We have been talking about clean and dirty. Our fuels are cleaner than 80% of our top-10 import fuels.

Alex Grant: But not Norway.

Elizabeth de Jong: Not Norway, so we are right and right.

Chair: Thank you all very much for your evidence and your patience this afternoon. That is the end of the session.

Examination of witnesses

Witnesses: Michael Shanks MP and Jonathan Mills CB.

Q101 **Chair:** Welcome back to this afternoon's session of the Energy Security and Net Zero Committee, and our session on energy resilience in the light of the Iran conflict. Welcome to the Energy Minister, Michael Shanks, and the Permanent Secretary, Jonathan Mills, who were with us last week. We started some of these questions then, and we have more, some of which will follow on from what we have been hearing in the first two panels. I will start with where we finished, which is on the plea from the refineries sector for early decision-making on CBAM. What is your response to these pleas?

Michael Shanks: Good evening. It is good to be with you again, Chair, on this really important subject. On refineries, I brought all of them together for the first time in 13 years to have conversations about what the future of the refining sector would look like. We are working on a future of fuel strategy. A consultation has gone out on that and, key to that, we do see this being included as a really important part of the CBAM. That is why the Chancellor confirmed in the Budget that they would work towards the inclusion of refineries in the CBAM.

The work that has to be done to get to that point is not straightforward. I know you had Fuels Industry UK here earlier, and it is providing a lot of support, and we have been really grateful for its analysis on behalf of the industry, which will help with this. As I understand it, the information that the Treasury has now shared is that inclusion by 2028 is not possible, in its view, based on the initial assessments that have been done. That does not mean that we are not continuing to work as fast as we can to get inclusion at the earliest point possible, but at this point, January 2028 is not possible.

Q102 **Chair:** This question will be one of quite a few on whether the world has



changed somewhat. Does there need to be a greater degree of urgency on a whole range of matters? Is keeping our refining sector as competitive as possible one of those? Is there not a case for the Treasury, with your encouragement, to act rather more quickly?

Michael Shanks: I have been working with the Treasury and with the Exchequer Secretary, who joined me for the last roundtable I had with industry a few weeks ago. We are aware of the need to move quickly. I would recognise the point that, at this moment in particular, we should underscore how important the four remaining refineries that we have in the UK are. I have been really clear with the industry, and in the consultation on the future of fuel, we spelled out just how critical domestic refining capacity is for the UK. We want to follow through on that with the policy to give them that confidence, but it is for the Treasury to comment on the nature of CBAM. It sits with the Treasury, not with me.

Q103 **Chair:** Something else we heard from both panels is that a significant benefit of increasing production in the North sea—and this applies both to oil and gas—is the increase in tax revenues that can then be applied. David Whitehouse suggested that it would be a way of reducing domestic energy bills by £150. How do you respond to this analysis?

Michael Shanks: I did not see the evidence earlier, but I know that, previously, the industry has confirmed that there would not be a penny off bills due to further extraction in the North sea.

Q104 **Chair:** They accepted that point, but they said that it would be tax revenues where there would be a benefit. The Government might choose to apply those increased tax revenues to reduce energy bills. They might choose to apply them elsewhere, but that would be one option.

Michael Shanks: The tax income we have received for 60 years from North sea oil has funded public services for a long time. I am not going to suggest that the revenue is not hugely important. It is. The question that we have been answering about what the future of the North sea looks like is: how do we manage what is a super-mature basin for the future? We had a manifesto commitment that issuing exploration licences would not continue, but we have never said that there would be no oil and gas. Existing licensed fields could bring forward new projects. There are projects being considered at the moment. I am obviously not going to comment on those, but they are perfectly entitled to come forward with those projects.

Ultimately, what we have said is that it is not going to take a penny off bills. It might bring in tax revenue, as it does at the moment. The North sea is operating right now, and taxes are paid on that, but in the long term, our plan for the North sea is around how we build the technologies of the future, so that we also have revenue and jobs coming from other sources. The North sea has been in decline for 20 years. The answer, I



am afraid, is not to double down on oil and gas, but to build what comes next, and that is what we are determined to do.

Q105 **Chair:** I did not hear them saying that they wanted to double down on oil and gas. They were just making the case that using existing opportunities could generate more taxes. The oil and gas sector are the very people who are going to be responsible for the energy transition, because they are the same companies and they are the same workers, with the same skills. Is that not the best argument for supporting them, as they need, to continue to be viable?

Michael Shanks: It is the best argument for coming up with a plan, which we have now done, and then getting on with delivering it for what the transition in the North sea looks like. If we had done that 15 or 20 years ago, we would not have seen tens of thousands of workers lose their job without an alternative job to go to. Oil and gas will continue to be an important part of our energy mix, and the workers within it are absolutely the right skilled people to do the jobs that we need in offshore wind, carbon capture, hydrogen, decommissioning and everything else, but we have to have a plan for doing that. That is why we published the North sea future plan. It is why I now chair the North Sea Future Board, which met in Aberdeen last week.

The key tasks that they have taken forward are not talking just about this issue, but about the practical steps to engage that workforce in the jobs of the future. Much of it is the same supply chain. Some 80% of jobs in oil and gas are in the supply chain, not on the offshore oil rigs, so it is really important that we translate that into the things that we are trying to build, particularly in offshore wind, and take real advantage of that. It is how we give certainty of that pipeline of projects, so that we are not looking just at workforce in terms of jobs being lost from one part, but at where those jobs are going in the energy industry as a whole.

We hear, for example, that right now there are thousands of jobs being recruited into the networks business in the north of Scotland. There are many people moving from oil and gas into those jobs. What we cannot do is just look at the decline in oil and gas in isolation without looking at the increase somewhere else. I am afraid that what often clouds this discussion is people looking at one set of numbers without looking at the other set of numbers. A transition done well—and I am the first to accept that has not been the case to date—means people transitioning from an oil and gas job into something else.

The phrase that always stays in my mind is from a conversation I had very early in this job with Paul de Leeuw, a professor at Robert Gordon University, who does a lot of work on the workforce. He said that the issue is around this gap in the middle that you want to avoid at all costs, where you have a decline in oil and gas without the incline in renewables and everything else. That is the bit that we are working on day and night to make sure that we do not have that gap, we retain the workforce, we retain the skills and we build what is coming next.



Q106 Chair: You talked about decommissioning, and it reminded me of what is going on in the nuclear industry, which is enjoying a renaissance. The Government are committed to the development of the nuclear industry. One of the elements of it is the lifecycle approach in nuclear. It strikes me that there are parallels here, and that we should be adopting a similar lifecycle approach to oil and gas, indeed into a new life, as you said. Is that where Government policy is headed? Does more need to be done to use those parallels from nuclear in oil and gas?

Michael Shanks: It is a timely question. I was at Hunterston B, the nuclear power station in Ayrshire, last week, which has just been handed back to the Government for decommissioning, because we are taking a different approach to how we will decommission our nuclear assets to be as efficient, cost-efficient and fast as possible, but to maintain the workforce. It is quite an interesting parallel, and nuclear, of course, is a key area where oil and gas workers could be working, but, unfortunately, because of SNP policy in Scotland, which we hope to change soon, they are not able to do that there.

The question of a lifecycle for the workforce is something that we are looking at. Decommissioning is a huge opportunity, but it is also a huge liability for us if we get it wrong. At the moment, we see too much of that decommissioning moving to the right. We are determined to capitalise on that opportunity now, because that is exactly where we use the skilled workers, but also the supply chain. The vessels that we need to keep in the North sea can be used for that. It is a huge opportunity, and we are determined to make sure that companies that have a responsibility to move forward on that decommissioning, and Government, which have a responsibility to approve those decommissioning plans, get on and do it.

Q107 Chair: I just want to ask you a question about energy bill support. It is starting to be discussed, and things have moved very quickly since last week. You were reluctant to get into this space after the price cap period, and I understand why. The Chancellor and other Ministers have been saying—and you might have even commented on this, as the Secretary of State did—that there cannot be a repeat of what happened in 2021 and 2022 with wholesale support that cost £40 billion. Therefore, targeted support is possibly more likely.

There have been suggestions that this will be for people on benefits. Does this not risk being unfair? Many people who do not qualify for benefits also need support. For quite a lot of us in the room, is it not a risk to be repeating a political problem as well, which we saw with the winter fuel payment announcement straight after the 2024 general election?

Michael Shanks: The first thing to say is that the Chancellor outlined yesterday, and repeated the message that the Prime Minister gave at the Liaison Committee, that the Government are working day and night at the moment on what support for billpayers might look like. As I said last time I gave evidence, there is an observation period for what the next price cap will look like. It is worth saying that, although the price cap for



HOUSE OF COMMONS

the period from April has not come into force yet, it will next week and bills will come down for people across the country because of that.

Then there is a period where we need to observe what happens with prices to know what the action needs to be. I am not going to rush into suggesting that action is necessary until we have done that work, but that does not mean that we are not doing all of the preparatory work in the background on what a scheme might look like.

The Chancellor outlined yesterday the trade-off here, which was missed in 2022. It is worth reflecting on why it is so important that financial support was provided to people in 2022. Of course, we supported that in opposition, but it did leave a £40 billion bill that we are still paying for.

The reflection after that, which the Chancellor spoke about yesterday, was that some of the wealthiest in the country took more than a third of the money that was paid in that period. That is not sustainable for the country. That gets us off the fact that we have these important fiscal rules to have fiscal credibility as a country. That has helped to keep the Government's economic policy working as it has done. Equally, we want to make sure that people get the support that they need.

If you take the heating oil example and how we have responded to that within two weeks, we did say that it should be targeted to the people who need it the most, but we did not specify precisely what that would mean, because we wanted to avoid cliff edges where people who are perhaps on benefits would be affected in a different way. We are looking at all of this. I do not want to suggest that we have any certain answers on this. There is a need for us to target, but to make sure that we are reaching the people who need it the most. That involves some difficult trade-offs, but that is the work that is going on at the moment.

Q108 **Chair:** Do you accept my point about it being fair?

Michael Shanks: Everything that we want to do is to make sure it is fair. Fairness has to be looked at in the round, so fair in terms of the support that might need to be provided, but fair in terms of who, ultimately, pays for it as well and what that means for the future of the country's finances. We are looking at all of these options.

I want to be really clear. The Government are preparing for all eventualities, but our absolute aim right now is to de-escalate the situation so that we can try to get some normality back into prices while we have this three-month protected period for everyone's bills from next week.

Q109 **Ms Billington:** Where in the Government risk register did closure of the strait of Hormuz feature?

Michael Shanks: I cannot speak specifically about the strait of Hormuz. Jonathan might be able to. I would say that, generally, on the risk register, we take account of disruption to supply chains. I do not know



HOUSE OF COMMONS

whether we specify down to that, but we look at different scenarios and where different fuel types might be affected by international situations.

Q110 **Ms Billington:** The specifics of this particular situation might not have been on the risk register, but where did the generalities of this kind of energy crisis, driven by conflict in the middle east, feature on the risk register?

Michael Shanks: The risk register is made up of a number of risks affecting energy, some of which are the supply chains that we have and where we get fuel from. We look at that in the broadest sense, so not just caused by specific instances of disruption. If there was, for example, an issue at one of our LNG terminals, an issue with global shipping or any of these things, what the impact of that would be on the country is reviewed regularly.

One of the actions that we have taken forward in the past few months is to set up a taskforce looking specifically at our energy resilience, and these are some of the questions that we are looking at. How do we bring industry together with Government to make sure we have as robust a response to those risks as possible?

Q111 **Ms Billington:** Is there any value in publishing that risk register in terms of transparency?

Michael Shanks: The balance of publishing these things is always weighed in favour of people appreciating that we recognise these risks against the risk that people consider that those risks are more likely than they might be. It is obviously important that the Government consider every possible risk, even if it is very unlikely to happen in reality. There is a concern that publishing it might cause people to misunderstand what it means if something is on the risk register, but the Cabinet Office does publish a summary of some of the work that is going on in that space.

Jonathan Mills: The National Energy System Operator and the Government published, at the time of the last Budget, an assessment of the risks we face in relation to flexibility in the gas system, so LNG imports and other such routes for getting gas into the country, and the measures that we are taking relevant to that. We have set out some of the strategic mitigations that we have put in place there.

Q112 **Ms Billington:** Qatar, for example, says that about 17% of its LNG capacity has been knocked out by the bombing and that it will take between three and five years to recover. It produces 20% of global LNG exports. How seriously do you take the Qatari assessment of the situation?

Michael Shanks: These are the kinds of things that we have been monitoring very closely. We take it very seriously. There is no point in me saying anything other than that this has been a huge disruption to global supply chains. The IEA has said that it is the biggest disruption there has ever been. Of course, this is a serious moment, but it is worth just saying



that 1% of that 17% from Qatar comes to the UK, so we are not directly exposed by that.

Q113 **Ms Billington:** Yes, but forgive me, Minister. We know that the impact on the global economy will be quite profound. We have been talking about the fact that some of this oil will go to Bangladesh, for example, where an enormous amount of our clothing gets made. It is not as though we are insulated from the potential inflationary impacts of energy, which we are dependent on for the way that we live our lives, being extremely expensive or, indeed, rationed in other parts of the world.

Michael Shanks: You are right. There are consequences from what is happening in the middle east that will be felt around the world. There are probably a number of these things that will follow through over a number of weeks. We are hoping that it will de-escalate soon, and you are absolutely right to say that there will be impacts from it, but our direct exposure to it is very low.

We monitor this really closely. I had conversations last week with the three LNG terminals that we have, which are operating as normal, and also with the main importers in the UK, which are all operating as normal. While I accept the point that this will cause global disruption in many ways, and global economic disruption for some time to come, we have a strong and diverse range of supplies that are operating as normal.

Q114 **Ms Billington:** So you are not planning for blackouts or rationing?

Michael Shanks: We are absolutely not. That is not from a point of us not taking very seriously the risks that there are at the moment and managing the situation carefully, but we are monitoring it. All the data that we have is that, because we have a strong and diverse range of supplies, we are not concerned about it. It does not mean that we do not take it very seriously.

Q115 **Ms Billington:** Should I be worried that the national emergency plan for fuel was last updated on 16 April 2024?

Michael Shanks: No, I do not think you should at all.

Q116 **Ms Billington:** Should we have that updated?

Michael Shanks: We review these documents regularly, as you would expect, not just given the events happening at the moment. These documents are reviewed regularly. Just because it has not been updated, no one should read anything into that.

Q117 **Ms Billington:** I would like to follow on from something the Chair asked about in terms of help at the moment. There have been some recommendations that, if we are to avoid cliff edges on benefits, there is the power that the Government have through the Digital Economy Act. I know that we spoke about this last week.

Since we had that conversation last week, there have been further



conversations about how it might allow data sharing between DESNZ, energy suppliers, DWP and HMRC. I know there is a risk of the perfect being the enemy of the good in this. Bearing in mind the particular situation we are in, can we find a way of deploying the powers enshrined in that Act in order for there to be targeted help as soon as possible?

Michael Shanks: It is a really important question. Since I was last here, there have been meetings about that. The Minister for Energy Consumers held a meeting in the Treasury recently to talk about that exact issue and—your point is well made—to try to find ways, which might not be the perfect long-term data architecture strategy for this, to get access to things that can help us deliver policy in the best possible way. That work is moving forward at pace.

Q118 **Ms Billington:** I have one final question. This seems to be a huge energy crisis that, as you say, the IEA says is bigger than any in our lifetimes. Are the Government using this crisis as an opportunity, effectively, to shift us into greater energy resilience and being less exposed to these kinds of global markets?

Michael Shanks: I would say that, first of all, the Government were taking seriously our resilience before this situation. This brings very sharp focus to a lot of the work that we were doing, and a lot of the assumptions that we have made as a country for some time, but the work was going on before that. Our national resilience and the security of our energy assets were all things that we recognised we should sharpen up on when we came into Government. We have been doing that work, and that moves forward. The pace of a lot of this is picking up.

Separately, we have been really clear that we need to learn the right lessons from this, so that will shape our energy policy, but it will also make us move even faster to the energy policy that we already had in place to make sure that we are as resilient as we can be as a country. That work is going on.

There are other things that we had taken as settled that the Government are now looking at again. We may come to some of the same conclusions, but, on market reform, for example, we have been really clear that nothing is off the table and we want to look again at, for example, de-linking and how much more we might do to make progress on that. We are looking afresh at these things, because this is a moment for us to say that we need to move further and faster to insulate families across the country from these kinds of shocks. I would also say that it reinforces the argument we have been making as a Government that the answer is to get to clean power as quickly as possible.

Q119 **Graeme Downie:** Thank you, Minister, for your patience this afternoon, given that we are running late. I would like to go back to some of the points that the Chair was making at the beginning when he was talking about the energy price cap. We have heard Government use the rhetoric of “whatever it takes”, which is a phrase that you used yourself last week



as well.

Beyond just home energy, what do you and the Government mean by “whatever it takes”? In other areas, such as those we have heard about already on panels—petrol, farming and lots of other areas—what do you understand by “whatever it takes”? Is the language being used in Government at the moment enough? Does it meet where the public are in terms of their understanding of the crisis that you are describing?

Michael Shanks: It is a really important framing of the question. The Prime Minister was really clear with all of his Ministers before this crisis, in fact, that the sense of fear and dread that many people have that the next letter coming through the letterbox is a bill that they cannot afford should be uppermost in every single one of our minds, with every decision that we make. The cost of living is not a theoretical thing for us to work towards at some point, but an urgent national mission, and we have to do everything possible to bring down bills. My interest in that is in energy bills, but the same is going on across Government.

When I say “anything it takes”, the Prime Minister has been really clear on this. We are going to look at the situation as it emerges. That is not to say that we are just looking at launching consultations, but we are three weeks into this. Within two weeks, we provided financial support for people on heating oil. We are moving quickly on this.

Equally, we need to see how some of this moves forward in the coming weeks, because what we cannot do is design a system based on a moment in time that could well shift. Every single day, we are waking up to huge fluctuations in the gas and oil price. It is right that we do everything in the background that we can, but wait to see how some of this works out.

Q120 **Graeme Downie:** Can I ask you to elaborate on some of that? The action on heating oil, for example, is very welcome. You have previously talked about how the energy price cap gives time and space to see how it plays out and where we end up through a monitoring period. What are the other areas that you currently see as priorities to do whatever it takes? Where do you see the largest risk falling over the next two or three weeks?

Michael Shanks: The Chancellor is leading this work across Government, so there are a number of areas that she will be focusing on that are not in my brief. Specifically on things that we are looking at as the Energy Department, the price cap is really important, so we are doing everything we can to monitor what is happening at the moment. We also recognise that, although we have three months of the price cap, our action needs to be much faster than that, so we are not going to take three months. We need to do a bit more observation of what is happening to prices.

We are also speeding up some of the work that was already being done across the Department to look at all of the costs that are on bills at the



HOUSE OF COMMONS

moment, so there is work that has been going on for some time. Most recently, that manifested itself in the £150 coming off bills by changing the renewable obligation to taxation. We also took the decision to change the uprating from RPI to CPI.

There are things that we are doing as quickly as possible, and we are not going to wait for one big moment to do some of this. If there are practical things that we can do, we will start to move that forward, but I want to emphasise the fact that people at home will rightly be worried about what they are seeing on their TV screens every day and what the impact of that will be on bills. They are protected from 1 April until the end of June, and Government are doing everything as quickly as possible, from the Prime Minister down, so that, after that period, we have a response.

Q121 Graeme Downie: Does the acceleration of these things include the oil and gas price mechanism that we heard about from the earlier panel? They may not be entirely enjoying the detail, but they would like to see it happen much more quickly. Are you in discussions with Treasury about how fast that can be done?

Michael Shanks: The energy profits levy comes to an end in 2030, but the Chancellor confirmed to industry a few weeks ago that she would work with it to bring that to an end sooner, and for there to be a permanent mechanism put in place. Clearly, that work moves at a different pace at a moment, so that we do not have periods in which the price is significantly higher.

That work goes on, but I would also recognise that, right now, there is the definition of a windfall to many of those oil and gas companies. As a Government, we welcome what the previous Government did, which is to say that, where there is a windfall that has not been earned by any particular decisions taken, but by international events affecting the price, that tax should be paid, and it has brought in £12 billion to date. The work goes on around the permanent mechanism, but, equally, we should recognise that we are in a period of windfall at the moment.

Q122 Graeme Downie: I have a final question, Minister, about something I raised in the House this week, which was the study you commissioned GB Energy Nuclear to do around nuclear power in Scotland and its potential. The written answer that I got from you was that the study will conclude shortly. Can you elaborate on when that will be concluded and whether it will be published over the next couple of weeks, probably not before recess now but certainly shortly after we come back?

Michael Shanks: The work is nearing completion. What we asked them to do was look at whether there were potential sites in Scotland, recognising that the Scottish Government and the SNP have an objection to all nuclear. It will be a look at potential sites without being a full siting assessment, because there is no prospect of them being built until we change the Scottish Government. We will look at when we can publish, but we are about to enter the pre-election periods for the Scottish



HOUSE OF COMMONS

elections, which will stop us being able to publish some things, but we will look to conclude that as soon as possible.

Q123 Sir Christopher Chope: Minister, you heard the evidence about CBAM, and you say that it is all the fault of the Treasury that it cannot get the resources together to do anything by January 2028. Surely, if you feel very strongly, as I think you do, that we need to protect our four remaining refineries and help them compete in global markets, why are you not banging the drum with the Treasury on their behalf and getting CBAM instated at the time that they would like and as was originally indicated would be done in the report from the Treasury?

While we are on that, we also heard evidence this afternoon about the great contribution that the opening up of the Jackdaw and Rosebank fields could make to the Treasury coffers as well as our national energy security. As I understand it, your Department is sitting on the permissions that have not been decided. When are we going to get answers from the Government, who are holding up this very important investment in Jackdaw and Rosebank?

Michael Shanks: On CBAM first of all, I am not one for banging drums, but I have absolutely engaged with the Treasury on this, and the Treasury has engaged with the industry. There have been conversations about how this happens, and I can write to the Committee on some of the technical details that go into how CBAM works, but it is worth saying that it is not a straightforward process. It is a complex process, because it is about ensuring that individual products produced by refineries are part of the carbon border adjustment mechanism.

We see that as important, and the Treasury has confirmed that it is important. It was in the Budget document that we would include refineries in the carbon border adjustment mechanism, but the pace of how we can do that is the issue that we are now working on. We want that to happen as quickly as possible, and so does the Exchequer Secretary to the Treasury, but there are practicalities that we are working through. You can be assured, Sir Christopher, that I will continue to push on that point, because you are right. Refineries are important, and we want to make the four that we have remaining as resilient as we possibly can. They play a really critical role.

Q124 Sir Christopher Chope: They said that if two new officials were appointed by the Treasury, they could get back on the timescale. Do you understand that to be correct?

Michael Shanks: There is slightly more to it than that. There have been officials appointed to look at this question, and they are working through that work. It is not that the decision has been taken not to do anything. Work is going on. It will just take slightly longer than I would like. It is worth saying that the inclusion of CBAM generally is also being worked on at the moment. The full CBAM came into force for the rest of the EU in January 2026. Our inclusion is 2027, and there is work going on to make



HOUSE OF COMMONS

that happen. Refineries are currently not part of that in the EU or the UK. We are working to change that.

You asked a question about Jackdaw and Rosebank. To be really clear, I cannot comment on individual cases that are before the Department, but it is worth clarifying, because I thought it was, if I may say so, quite unedifying at Prime Minister's questions today to confuse what is a legal process. These two applications are for already licensed fields, so there is no question about Government policy interfering with this. They are applying for consents. Those consents were quashed by the Court of Session.

Based on the Supreme Court's judgment, the Government had to put in place a process so that those consents could be applied for again. That happened under the previous Government. We legislated to make the process happen. Those applications are now being considered. They are not sitting on anyone's desk. They are being considered in the way that anyone would expect quasi-judicial functions that Government Ministers have to be carried out.

It is really important to say, because this was lost in Prime Minister's questions today, that it is in the interests of everyone who has any interest in these or any other projects for it to be as robust a process as possible, so that it can stand up in court. That is whether you are in favour of it or against it. These processes must be done to the absolute letter of the law, and the idea that someone can just pick something up and say, "Oh, yes, just go with that" is ridiculous.

Q125 **Sir Christopher Chope:** Could it take another year or two to get an answer?

Michael Shanks: We are not putting a timeline on it, but the information has been received from the developers, the process has been followed by the regulator, and decisions will be made.

Q126 **Sir Christopher Chope:** As the Chair has said, new circumstances provide an opportunity to revisit policies and manifesto commitments. Bearing in mind what is happening in the world, do you think you should renege on your manifesto commitment not to have any more exploration licences in the North sea? That seems rather crazy now, in the light of what is happening globally at the moment.

Michael Shanks: I have to say that I take the exact opposite view. It reinforces the fact that we need to move off fossil fuels much more quickly. We remain exposed to fossil fuels for as long as we are reliant on them. I have said very clearly that the oil and gas industry has contributed an enormous amount to this country, and we should be really proud of six decades of that. I have met a lot of the workforce, and we should be really grateful for the contribution they have made.

We will continue to need that for many years to come, and we are not going to suddenly stop needing oil and gas, but we have to move as far



HOUSE OF COMMONS

as we can away from relying on those fossil fuels. Licensing is not an immediate process. The research that we have seen on previous licences suggests that we are likely to be a decade from the point of licences issued to anything coming out of the North sea, so licensing is not the answer.

Our manifesto commitment is often remembered for one part of it. We said that we would not issue new licences to explore new fields, but we would manage existing fields for their lifespan. We took the pragmatic view last year to allow so-called tiebacks, so projects in adjacent fields, to be part of the process. We will bring that forward soon. That is, from everything we have heard from industry, the most likely way to make the oil and gas that is left in the North sea as sustainable as possible.

Q127 **Claire Young:** You have already made reference to looking at energy pricing and work being undertaken on the link between gas and electricity prices. Does that include preparing to make an emergency temporary change to how the system works if gas prices remain high?

Michael Shanks: I am not sure what you mean by "emergency".

Q128 **Claire Young:** I mean making temporary changes, so, rather than waiting until you have decided how to make a permanent change, doing something before that on a temporary basis.

Michael Shanks: We absolutely are looking at options in that space. I hope that people would expect us to be looking right now at every option that is on the table. If something deals with a particular problem now, but maybe is not the long-term answer, we will absolutely look at it.

There are mechanisms in place that will support some of this. The electricity generator levy is one of them, where, if we see increased prices, there is a tax that will kick in to recoup some of that. We are looking at that, but we are also looking at wider market reforms that might be necessary to help with this process.

It is fair to say that the Secretary of State has driven very clearly two buckets of work. One is around short-term interventions that we can make, and the second is around longer-term policy that we should put in place as soon as possible but might not have the effects for longer.

Q129 **Claire Young:** This crisis is coming really soon after the crisis caused by the Ukraine war. Does it show that marginal pricing is a poor deal for UK energy consumers, or would you go back to the principles behind it and say that there are still benefits?

Michael Shanks: It is worth saying that marginal pricing is a natural market. Our view is that gas should not be setting the price, so we need to do everything possible to de-link those two. We are looking at a range of options in this space, but it is worth saying that the clean power mission will de-link naturally as we build more. Last time we were here, Jonathan was correct on how much we have driven that, in the sense that



HOUSE OF COMMONS

we have achieved more than sometimes is thought around how much gas is setting the price.

That will progress. The more wind turbines and solar panels we have, but also the more storage, the more we can use what we already have, and the more grid we can use to get that clean power on to the system, the more we will de-link naturally. We are looking right now at whether there is more we can do to move that forward faster.

Q130 Claire Young: Does this change your view on how quickly you can look at things like consumer-led flexibility? The argument being made by the industry is that it can be done much quicker than providing new infrastructure and so forth.

Michael Shanks: We absolutely should be moving as fast as possible on everything, but there is a particular case to be made for bringing more flex on faster. We announced this week that we would start a trial of being able to utilise so-called “wasted” wind—the wind that we currently pay to turn off in areas of high constraints—so that, if consumers are able to turn up and soak up some of that demand, they should be able to do that at a cheaper price. That helps the system. We want to see much more of that, and there is a huge amount of innovation going on in this space that we want to lean into much more. That is why we have the flex board and the flex commissioner looking to deliver on our plan for that.

One of the things that we have tried to do since we came into Government is to lean into innovation as much as possible. There is more that we can get out of our current system than we are doing. NESO has taken forward a really important piece of work around how it might modernise the way it manages the system, so that we can squeeze out as much cheap power as we possibly can, but so consumers are at the heart of that. The more we roll out market-wide half-hourly settlements and smart meters, the more consumers can have tariffs that allow them to take part in that flexibility.

Q131 Claire Young: Finally, I asked a question earlier about the situation we had in the last crisis, where suppliers went bust and the costs ended up being recovered through all of our bills. What is being done at the moment to prevent those failures from happening this time around and, therefore, ultimately costing consumers money?

Michael Shanks: We learn from those situations. Ofgem has a role in making sure the market is as resilient as possible, and looking at individual companies as part of that. Ofgem has introduced higher capital requirements on companies to demonstrate that they are more resilient than they might otherwise have been. There is a lot more stress-testing of the market to make sure it is able to deal with shocks that previously we did not test. It is not to say at all that we are not monitoring it regularly. Ofgem does much of this, and volatility does affect companies, so we are monitoring it really closely. At this point, Ofgem has no concerns, but that does not mean it is not monitoring it closely.



HOUSE OF COMMONS

Q132 **Chair:** Just going back to what you said about the reduction in the amount of time that gas sets the price for electricity, are you disappointed, given the reduction in that time, that we have not seen it feed through more to consumer bills?

Michael Shanks: I think it has. It will have been felt on bills, but not as often as it should be.

Q133 **Chair:** I am not sure that anybody has noticed, Minister.

Michael Shanks: We are investing significant amounts in building the system of the future, so there often are costs that come down on bills that are matched by investments that we have to make, particularly on grid, so that we can keep the system as resilient as it is. If you take an average of the price cap in 2025 to 2024 in real terms, it is lower. It has fed through, but not as much as it should, and that is partly why we are looking at what more we can do on the market.

Q134 **Torcuil Crichton:** Thanks for hanging in, Minister. We are at that stage where the Speaker would say, "Short questions, short answers", so I will ask two quick topicals. Today, on the incredible convergence of national security, the energy transition and jobs, when you took that decision to block Ming Yang and the £1.5 billion investment that would create 1,500 jobs in Ardersier, was it a tough call? Why did you do it?

Michael Shanks: We carefully considered this. This was a proposal that was put forward without consultation with Government from Ming Yang. We welcome investment from China, as we have announced in the past few months, when it is in the national interest. When the Prime Minister was in Beijing, we have seen a lot of inward investment to the UK, so we do welcome that, but we have considered very carefully the national security implications of anyone who wants to invest in the UK from anywhere, and we have come to the conclusion that we cannot support the use of Ming Yang's turbines in UK offshore wind projects. We have informed Ming Yang of that. We will always protect our national security, and we always said that, although our push to clean power is hugely important, national security always comes first.

Q135 **Torcuil Crichton:** What was the fear? Is it a technical fear of something that might be in the turbines, such as the circuitry?

Michael Shanks: I am not going to get drawn on the national security advice, which we have seen and considered. It has been carefully considered across Government. I am not going to get into the specifics, but we took very careful consideration before we reached the decision.

Q136 **Torcuil Crichton:** Staying on turbines, lost yesterday in a blizzard of news was this idea that, rather than paying wind farms to switch off, constraint payments, you would take the money to provide cheaper or free electricity to areas that hosted wind farms. You want a pilot. We want to see it fast and we want to see it in Scotland, don't we?



HOUSE OF COMMONS

Michael Shanks: I am sure you have a suggestion for me, Torcuil, of where that might be, and you and I certainly stood on a very windy hilltop a few weeks ago in Stornoway. As for the way we are doing this, it will be a pilot. The Government will put £20 million into that pilot to look at the final levies that people pay on the megawatts on their bill.

The aim of it is, first of all, to test the idea that, instead of us paying to turn off, we could have demand turn up. This goes back to Claire Young's question around flex. There are now a lot of consumers who are able to take advantage of that, but not everybody, which is why this is a pilot of whether we can make this work. It has to work in a way that does not increase the system cost overall. That is why we are running it in this way.

We are not choosing a specific geographical area. We are looking at where the constraint is at any given time. Much of that is in Scotland. It is also in the east of England, where we have significant amounts of offshore wind coming ashore. We will say more about it in the coming weeks. We also announced that plug-in solar would be available in the UK, in all good shops, from the summer. The aim is that we will have solar by the summer and wind by the winter.

Chair: Thank you very much, Minister and Director General. That is the end of our session.