HOUSE OF LORDS
European Union Committee

House of Lords
London
SW1A 0PW

Tel: 020 7219 4579
Fax: 020 7219 6715
euclords@parliament.uk
www.parliament.uk/lords

11 November 2020

The Rt Hon Kwasi Kwarteng MP
Minister for Business, Energy and Clean Growth
Department for Business, Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET

Dear Kwasi,

North Sea energy cooperation and Net Zero

As you may be aware, the Committee gathered evidence in October on North Sea energy cooperation and net zero.[1] We write to share our findings. A summary of the evidence which we gathered is appended to this letter.

We heard from witnesses with expertise in the development of offshore wind, electricity interconnection, hydrogen, and carbon capture and storage (CCS). We intend to pursue further work on the ecological consequences of energy development in the North Sea. These are potentially huge, given the range of flora and fauna involved in sustaining the balance of the marine environment, from seabirds to marine mammals, and are of great importance in our view.

Intergovernmental cooperation and coordination will be essential to ensure the cost-effective and efficient development of low-carbon energy in the North Sea. We hope the other North Sea countries and the European Commission will be open to resuming structured cooperation on North Sea energy development once the current UK-EU negotiations have concluded.

We note that Norway, a non-Member State, participates in the North Seas Energy Cooperation initiative. What do you understand to be the conditions for Norway's involvement? Is the EU requiring specific conditions to be met for the UK to participate in the initiative, as part of, or alongside, a future UK-EU partnership agreement?

We understand that – in the absence of a UK-EU agreement that provides for UK participation in the North Seas Energy Cooperation initiative – you would still seek to pursue cooperation with other North Sea countries on these matters. We would support those efforts.

[1] The transcript of our evidence session held on 14 October 2020 is available here: https://committees.parliament.uk/oralevidence/1042/html/

Witnesses told us of the need for a level playing field for renewable subsidy mechanisms, cooperation on regulatory, technical, and commercial dimensions, and a degree of common regulation. How is the Government seeking to address these requirements of coordinated energy development?

The Government intends to publish an offshore transmission network review update,[2] energy White Paper,[3] and hydrogen strategy in the coming months.[4] How will these policy packages encourage cooperation with other North Sea countries and support realisation of the benefits that can be gained from a coordinated approach? Is your department working closely with the Scottish Government on these policies, in line with your respective competences and mutual interests?

We hope the future UK-EU partnership will support the efficient cross-border trade of energy in part because this would enable the cost-effective development of low-carbon energy in the North Sea. Should an initial UK-EU free trade agreement contain limited energy provisions, we would support the Government seeking to continue working with the EU to develop more efficient cross-border trading arrangements.

Turning to wider considerations, the North Sea is a busy area for shipping and fishing, alongside the exploitation of natural resources such as oil, gas and wind. It is also a site of marine protected areas. The North Seas Energy Cooperation initiative has a support group focused on balancing the spatial needs of different sectors. How will the Government coordinate with other North Sea countries on maritime spatial planning if it is not involved in that initiative?

The Committee looks forward to a response within 10 working days.

Yours sincerely,

Lord Teverson
Chair of the EU Environment Sub-Committee

[2] https://www.gov.uk/government/publications/offshore-transmission-network-review/offshore-transmission-network-review-terms-of-reference
[3] https://hansard.parliament.uk/Lords/2020-09-28/debates/B94B036D-551D-4082-BF39-9DC4E2DEFD35/EnergyWhitePaper
[4] https://hansard.parliament.uk/Lords/2020-09-17/debates/B2D55781-DB3E-4A6B-ACAC-EF557E6E572D/EnergyHydrogen

Summary of the evidence heard

Intergovernmental cooperation, North Sea energy development and net zero

The UK participated in intergovernmental cooperation with Belgium, Denmark, France, Germany, Ireland, Luxembourg, the Netherlands, Sweden and Norway (a non-Member State), through the North Seas Energy Cooperation initiative, until the UK was excluded from the group earlier in 2020 as a consequence of having left the EU. The European Commission said future EU-UK cooperation on energy matters, including in relation to the North Sea, would be addressed in the future partnership negotiations.[5] At the time of writing, the outcome of the UK-EU negotiations is not yet clear.

Low-carbon energy development in the North Sea can contribute to greenhouse gas emission reductions. Barnaby Wharton, RenewableUK's Director of Future Electricity Systems, told the Committee: "The most obvious way in which the North Sea can support net zero is through the deployment of offshore wind."[6] Dr René Peters, representing the North Sea Energy programme, said that hydrogen could have an important role: "Green hydrogen is a very attractive way to link offshore wind production with hydrogen production."[7] He added: "That can extend offshore wind beyond just decarbonising the power system and the molecules, and even export energy not via power cables but via pipelines to continental Europe." Dr René Peters also explained that carbon dioxide could be captured and stored in the North Sea's "depleted gas fields or aquifers—to get rid of the existing CO_2 production from industry and the harbour regions."[8]

Witnesses highlighted the value of intergovernmental cooperation between North Sea countries. Barnaby Wharton told the Committee: "If we want to build the cheapest and most efficient system where power flows in the best way, we need co-operation to minimise costs."[9] Dr René Peters said: "That collaboration is really valuable if we want to accelerate the low-carbon energy options for the North Sea and create better interconnectivity."[10] Martin Cook, National Grid Ventures' Head of Business Development, added more detail: "We need to be co-ordinated on timing, investments, regulated models and trading platforms. Those things need to be co-ordinated to optimise the system that we are going to build. That is essential, because billions of euros and pounds will be invested in this."[11]

Dr René Peters described some of the benefits of existing structures for cooperation, and the UK's earlier participation: "I think that the North Seas Energy Cooperation helps to get the regulations and harmonisation in place and the learning from different countries with similar ambitions. It was really helpful to maintain the UK on board for that collaboration."[12] Barnaby Wharton added: "Not being part of these conversations just slows down the regulatory process and adds unnecessary complexity into the mechanics."[13]

---

[5] https://ec.europa.eu/energy/topics/infrastructure/high-level-groups/north-seas-energy-cooperation_en?redir=1
[6] Q2
[7] Q2
[8] Q2
[9] Q4
[10] Q5
[11] Q6
[12] Q5
[13] Q5

The benefits and requirements of coordinated energy development

Barnaby Wharton emphasised the benefits of greater electricity interconnection between North Sea countries, including for managing variable wind generation: "We want to build a more interconnected system. It is the most efficient and effective way of managing power. If we are generating lots of wind, being able to send that to Europe, or to bring Norwegian hydro to the UK when the wind power is lower, is really important for a cheap low-carbon system."[14] He also highlighted the value of multipurpose interconnectors, which are used for transporting electricity generated by offshore wind to onshore electricity systems and trading electricity between national markets: "There are some really interesting numbers out there about how much money you can save if you have interconnected multipurpose projects rather than just the point-to-point projects… It saves billions of pounds and that will only be a benefit to consumers."[15]

Dr René Peters spoke about cross-border transport of hydrogen: "If the UK wants to become a hydrogen producer for north-west Europe, we need to put in pipeline interconnections."[16] He told the Committee about the prospect – if cooperation mechanisms are in place – for the UK to be a part of a future European hydrogen transmission network connecting industrial customers and demand centres for hydrogen: "The European Commission has initiated a plan to develop a European Hydrogen Backbone … I think that grid would also extend in the plans to the UK and Norway across the North Sea, and strong collaboration is also needed to make development of this Backbone grid possible."[17] Dr Peters also referred to the possibility for cross-border transport of carbon dioxide with reference to a specific CCS project: "The Northern Lights project in Norway, for example, wants to collect CO_2 from North Sea countries and needs cross-border transport of CO_2."[18]

Martin Cook described the kinds of cooperation that will be needed to enable a more integrated development of electricity interconnection: "If in that mix there is, as there will be, a lot of interconnection between ourselves and our European neighbours, there has to be a lot of co-operation from a spatial perspective … From a regulatory and technical perspective, because bits of equipment need to talk to each other, and from a commercial perspective."[19]

Witnesses argued that a degree of common regulation is required to enable large projects to go ahead and to ensure the smooth operation of installations. Martin Cook told the Committee: "There is a lot of regulation about large infrastructure projects, so a lot of common regulation is required to make an end-to-end system work together."[20] Dr René Peters added: "It is very valuable to harmonise and align standards and regulations for the operation of offshore installations related to safety and certification of equipment, which is sometimes different between the UK side and Dutch side."[21]

---

[14] Q5
[15] Q4
[16] Q5
[17] Q4
[18] Q5
[19] Q4
[20] Q5
[21] Q6

Witnesses spoke about the need for a level playing field relating to subsidy schemes for renewables. In the context of the Government's main scheme, Contracts for Difference, Barnaby Wharton said: "We need to ensure that is aligned with our European partners and their market mechanisms, to ensure that everyone is competing … on a level playing field."[22]

The future UK-EU partnership

Witnesses told the Committee of North Sea energy priorities for the future UK-EU partnership. Dr René Peters said: "In general, a partnership that enables the cross-border transport of power—hydrogen, gas, CO_2—is of mutual interest to realise future ambitions in both the UK and the EU, so it will benefit all."[23] Barnaby Wharton added: "The desire to move back towards trading of energy in as close to real time, and as efficiently as possible, is a really important ambition that we should keep our mind on."[24]

[22] Q11
[23] Q10
[24] Q10