

How could we provide more gas storage?

The government does need to win the green argument about gas. Much as it wishes it were otherwise, households and industry are going to continue to burn large quantities of gas this decade. It is a slow transition to new forms of domestic heating and to new ways of fuelling industrial processes. It will take time to replace all the domestic gas boilers and petrol cars. The UK therefore has a simple choice. Should more of this gas and oil come from own North Sea fields via a relatively short pipeline, or should we come to rely more and more on large tankers carrying LNG half way round the world? Surely the home production is both greener and better for UK jobs and prosperity. The government can stay focussed on leading a transition but it must ensure enough conventional fuel before it has developed more hydrogen or nuclear or battery power. It should ensure there are sufficient exploration, development and production licences for UK reserves, and a suitable tax regime to foster UK production.

The government should also wish to encourage more gas storage capacity at home. The business proposal would be that the owner of the store would fill it up during periods of low demand and soft prices, and make it available during periods of supply interruption and price spikes at prices which make them a profit but which support the market at lower prices than the market price during the crisis. The government should call for owners of potential salt domes and old energy fields with suitable reservoirs to say on what terms they would be willing to make their stores available. They or others could bid for a role in management. The government could opt for a strongly interventionist model where it was effectively paying for a strategic reserve which it would entirely control and price when used, or for a less interventionist role where the private sector took more of the risk and kept and shaped more of the reward. The UK is an outlier with very little storage capacity compared to other advanced countries.

The government and Regulator need to procure more electrical power for the next few years. They need to cater for the retirement of substantial nuclear capacity as old plants are powered down. They need to cater for the likely increase in demand as their electric revolution progresses. They need to replace some of the vulnerable interconnector capacity and cut our import bill. They need to have a bigger buffer against days when the wind is not blowing. They need to see what is the cheapest and best way to bridge the gaps and get new plant in place as quickly as possible. Nuclear and hydrogen may come to our assistance in the next decade but we need answers soon for the looming shortage.