Today around 90% of the UK’s energy needs are met by fossil fuels, and they will continue to be the predominant source of energy for decades to come. Energy plays an important role in our economy and lifestyles; therefore we need to be confident that the market and Government energy policy will deliver reliable supplies of energy at competitive prices to people and businesses.

4.1 Like most countries we already import coal, gas and oil to meet our needs. As production from our own oil and gas fields and coal reserves declines, we will become yet more reliant on imports. By 2010, imports could be meeting up to 40% of the UK’s total gas demand, rising to 80 – 90% by 2020. The UK is also expected to become a net importer of oil (on a sustained basis) by 2010, and we are already a net importer of coal.

4.2 We need to have confidence in the international markets where we will source supplies. Getting more of our energy from further away will inevitably mean longer and more complex supply chains, and we need to be sure that our market framework is robust for this new situation.

4.3 To achieve this we need a resilient and flexible energy system. This means a diverse system based on a mix of fuel types, a variety of supply routes, international markets that efficiently allocate resources, back-up facilities such as storage, and a robust infrastructure to transport energy supplies to centres of demand.

BOX 4.1: THE ROLE OF OIL, GAS AND COAL IN THE UK ENERGY MIX

Developments in low carbon technologies and improvements in energy efficiency will act to reduce demand for and thus decrease our reliance on imported fossil fuels. Nevertheless, fossil fuels will constitute the majority of our energy mix for the foreseeable future, particularly oil and gas. Global energy resources are still plentiful, and markets are well-developed to deal with increased trade.

Nearly our entire transport system relies on petroleum products, in the form of petrol or diesel for road transport and kerosene for aviation. Our homes and places of work are mainly heated by gas, and in recent years gas has also increased its share in the electricity generation mix. Even with the growing importance of gas in the generation mix, coal-fired generation continues to meet around a third of electricity demand on average and during the winter of 2005/2006, in response to high gas prices, it met about half of demand. This illustrates the important contribution made by coal-fired generation to the UK’s energy security and the flexibility of its energy system.
International Energy Security

4.4 As our demand for imports increases, so our energy security will be increasingly linked to the reliability of suppliers and the effectiveness of the international markets for oil, gas and coal.

Reliable suppliers

4.5 Global coal reserves are dispersed and abundant throughout the world and we have well-established relationships with our key suppliers. In 2005, approximately 44Mt of coal, or three quarter of total UK consumption, was imported from a number of source countries including South Africa, Russia, Australia and Colombia.

4.6 Global oil and gas reserves are heavily concentrated, in Russia, Central Asia, the Middle East and North Africa. The Middle East will remain the largest oil producing region; OPEC holds approximately 75% of proven reserves and its market share is projected to rise from 40% in 2005 to 50% in 2030. In 2004 the UK imported 90 million tonnes of oil and 14 million tonnes of oil equivalent of gas.


4.7 It is in gas where our demand for imports will grow most strongly, providing up to 80 – 90% of expected consumption by 2020. Norway will remain a significant supplier of gas to the UK in the medium term, along with Algeria and Qatar. Over time we are likely to import more from other potential areas such as Russia, the Caspian and Nigeria (chart 9 illustrates where natural gas resources are located).

Source: Cedigaz, 2004

34 At the same time we exported 93 million tonnes of oil and petroleum products and 7 million tonnes of oil equivalent in gas.
4.8 There are strong incentives for supplier countries to build reliable relationships with consuming countries given their heavy reliance on the revenues from the energy they export. Nevertheless, the UK’s exposure to international risks will increase gradually over the medium term, as our net energy imports increase and as supply chains lengthen. These risks include:

- constraints on the investment needed in the exploration, production and transport of energy;
- limited access to reserves or transport infrastructure. Over half the world’s oil reserves, for example, are either completely restricted to national oil companies, or offer only limited access to international business;
- a lack of information or misunderstandings between consumers and producers about their respective policies;
- inequality, social unrest, corruption and the threat of terrorism. They compromise the working environment, increase the likelihood of supply disruptions, hamper investment and increase the costs of oil and gas; and
- accidents and natural phenomena. They are difficult to predict, but their impact on global and regional markets can be significant, as we witnessed after Hurricane Katrina last year. The risk of accidents will increase as supply chains lengthen and trade in energy expands.

4.9 The impact of these risks – whether in leading to sharply increased prices or curtailing supply – needs to be evaluated against trends in the world’s demand for energy.

4.10 There has been strong growth in energy demand worldwide, particularly in emerging economies, such as China and India. Greater competition for energy supplies is leading to tighter global energy markets and higher prices (chart 10 shows projected energy demand by fuels up to 2030).

**CHART 10. GLOBAL ENERGY DEMAND TO 2030, BY FUEL**

Source: IEA, 2005
4.11 Global oil demand grew by 4.2% in 2004, and global coal demand rose by an estimated 8%, with particularly strong growth in China. Oil prices have more than doubled and coal prices have risen by nearly a third over the last three years. Gas prices have also increased by more than 50% over the same period (see chart 11).

**CHART 11. OIL AND GAS PRICES**

Source: DTI, 2006

**Effective markets**

4.12 International trade in fossil fuels is expected to double by 2030, increasing the interdependence of consuming and producing regions. The effectiveness of global energy markets where this competition for resources will be played out is therefore of crucial importance. There are a number of challenges that need to be addressed:

- there are problems with transparency (particularly of data) in the oil market;
- progress towards liberalisation in the EU energy market – a key source of gas supplies for the UK – has been disappointing. Reports by the European Commission cite a number of weaknesses: the high degree of market concentration; vertical integration being used as a barrier to new entrants; the lack of market integration; the lack of transparency; and the need for well functioning and transparent market mechanisms for setting prices. At the same time, the Commission is becoming more active in promoting competition in the energy sector, and we support this; and
- the market for Liquified Natural Gas is also still developing (see box 4.2).
Liquefied Natural Gas (LNG) is natural gas which has been liquefied by reducing its temperature to minus 160 degrees Celsius at atmospheric pressure, usually to allow for transportation by ship. Upon reaching its final destination LNG can be re-gasified and injected into a country’s gas pipeline system.

In 2005 LNG producers included Indonesia, Malaysia, Qatar, Algeria, Australia, Trinidad & Tobago and Nigeria. Major importing countries included Japan, South Korea, Taiwan, USA, Spain and France. LNG accounts for around a quarter of internationally traded gas and 7% of global gas demand, and is growing fast. It is currently mainly traded on a regional basis, serving consumers in the Atlantic Basin and Asia Pacific.

However, LNG offers the potential to create a more global market for gas by creating a link between these two main consuming regions. LNG can also enable gas-importing countries to have more diverse gas supplies and import routes, thereby potentially increasing security of supply and competition. Worldwide, significant additional capacity in export facilities, shipping and import facilities is planned; by 2010 such capacity is expected to have broadly doubled. The UK is expanding its LNG import facilities, adding more than 100 million cubic meters/day of capacity over the next five years.

4.13 To respond to these challenges, our international energy security strategy will be reviewed later this year and will focus on the following outcomes:

- **An open international energy markets framework**
  - we will continue our drive for EU energy markets liberalisation and integration, by working with the European Commission to enforce and strengthen internal market legislation and to make full use of European competition rules to tackle anti-competitive practices, and to influence the future direction of European energy policy as set out in the European Commission’s Green Paper “A European Strategy for Sustainable, Competitive and Secure Energy” published on 8th March 2006.
  - we will work to achieve an open investment framework in the production and transportation of energy that allows the best technology, skills and experience to be deployed around the world to best effect, and a system of clear, stable and non-discriminatory rules and regulations for activity in the energy sector.
  - we need to ensure that there is an effective regulatory framework to enable business to exploit oil and gas fields and have the confidence to invest in new pipelines. Building and consolidating political links with Norway, Algeria, Qatar, countries of the Caspian region and other states will be important to enable the private sector to establish contracts with potential suppliers.
  - we will work with other member states and the European Commission to build a stronger voice across Europe when speaking to third countries seeking to invest in the European energy market.
– We will also work to remove barriers to enable both producing and transit nations to join multilateral treaties such as the European Energy Community Treaty and the Energy Charter Treaty. These instruments establish rules which govern trade and investment in energy and related equipment, and enable disputes to be resolved through law.

**Transparency and good governance in the energy sector**
– transparent, accurate and timely data help the market function effectively, allowing prices to signal the required levels of investment. We will therefore continue to promote the Joint Oil Data Initiative (JODI) as a credible mechanism for the exchange of oil market information; and explore with our international partners how the publication of objective data might similarly improve the way in which gas markets function.
– We will continue to promote the Extractive Industries Transparency Initiative as applicable to all energy resource-rich countries.

**Effective international contingency arrangements to guard against physical supply shocks in world oil markets**
– Existing IEA oil emergency response mechanisms proved to be effective in response to the disruptions caused by Hurricanes Katrina and Rita. However, the proportion of world oil consumed by non-IEA countries is increasing. We will therefore continue to support the work of the IEA in encouraging member and non-member countries to maintain and develop oil security arrangements for use in the event of oil supply disruptions.

**Political and economic stability in source and transit regions**
– We will continue, through the UK’s foreign policy, bilaterally, through the EU and through multilateral organisations, to promote security, justice and prosperity globally.

### Making the most of our own resources

4.14 Making efficient use of the UK’s own energy reserves brings obvious benefits both in the contribution it can make to a diverse UK energy mix but also to the economy in terms of jobs, investment and national income generated by the sector.

4.15 Oil and gas production from the UK continental shelf (UKCS) peaked in 1999, and currently still supplies three quarters of our total energy needs. Production is expected to rise strongly in 2007 – capital expenditure has been higher in response to high oil prices and the large Buzzard oil field will soon reach full production – but will fall afterwards.

4.16 Coal producers in the UK continue to produce around 20Mt of coal each year, despite a significant decline in production over the last decade. This met around a third of demand from UK generators who are the biggest consumers of coal produced in Britain, with a small proportion being used in heavy industry and to heat homes.
Oil & Gas

4.17 After 40 years, UKCS production is now declining. However high oil prices encouraged a record number of offshore licence applications last year\(^{35}\). If the 9% per annum trend decline rate seen over the last 3 years is resumed after 2008, production would follow the path illustrated by the base case profile in chart 12. However, if investment levels are maintained, the rate of decline could be slowed, to perhaps 4% a year as illustrated by the slower decline case in the chart. That would deliver significantly higher oil and gas production (an extra 1 million barrels of oil equivalent (boe) a day in 2020) and, consequently, greater recovery of the UK’s remaining oil and gas reserves (nearly 7 billion boe of extra production by 2030).

**CHART 12. TOTAL UK CONTINENTAL SHELF OIL AND GAS PRODUCTION (TO 2030)**

![Chart showing UKCS Oil and Gas Production from 1999 to 2027](chart.png)

*Source: DTI – United Kingdom Offshore Operators Association, 2006*

4.18 Geology and the levels of future oil and gas prices will be key determinants of future investment activity, but we need to ensure that the right conditions are in place to attract investment in exploration, development and production; Government is already working closely with industry to achieve these objectives through PILOT (a joint Government and industry oil and gas task force set up in 1998 aimed at making the North Sea more competitive), which has helped generate significant interest in offshore investment in recent years.

4.19 There are a number of areas where concerted action now by Government and industry will boost investment in the UKCS over the next 10 to 15 years irrespective of oil and gas prices:

35 The 2005 Round was one of the most successful Offshore Licensing Rounds ever, with the highest level of Blocks being applied for in 30 years.
• **Maximising investment in already producing fields.** Using regulatory powers if necessary, Government must press for full investment in fields that are already producing. We will immediately refocus the DTI’s Stewardship initiative on maintaining reliability and encouraging nearby exploration and should see results in these areas by the middle of next year.

• **Establishing a Taskforce for meeting infrastructure needs to the west of Shetland.** We are establishing a Taskforce with Industry to get the right infrastructure (for example pipelines) in place to the west of Shetland so that, with minimal impact to the environment, we can speed up development and exploration in the area. The Taskforce will report by the end of the year.

• **Ensuring the development of a dynamic market fit for the future.** The commercial framework needs to change so that it encourages the industry to be dynamic in the future by facilitating a strong market in assets and rapid access to infrastructure. For example, the DTI is moving to a web-based system of licence assignments that will substantially speed up deal making and reduce costs, especially for smaller firms. We will also continue to build on the work of PILOT to secure the long-term future of the industry in the UK.

4.20 It is also vital to ensure we have the right fiscal approach. The Treasury is already discussing with industry the wider structural issues of the oil and gas fiscal framework. In particular, the Treasury is looking at how it can best deliver Government’s objective of maximising the economic recovery of our oil and gas reserves while promoting investment and providing the UK with a fair share of the revenues from a national resource.

**Coal**

**Current UK coal production**

4.21 British coal production has fallen significantly in the last decade. In 1995/1996 over 50Mt was produced from 83 deep and 122 surface mines. By 2005/2006 production had fallen to around 20Mt from 13 deep and 31 surface mines. Two of the remaining deep mines have since been ‘mothballed’ by their operator.

**Support for UK coal producers**

4.22 The Government has provided support schemes for the industry. In 2000-2002 the DTI operated the UK Coal Operating Aid Scheme. £163m was approved to pay operating aid. Coal Investment Aid (CIA) was introduced in 2003 to provide up to £60m of support for capital investment by 2008.
Remaining UK coal reserves
4.23 The Government believes that it is right to make the best use of UK energy resources, including coal reserves, where it is economically viable and environmentally acceptable to do so.

4.24 As with oil and gas production, current and forward prices and geology, which can be very challenging in the UK’s mature coalfields, are key drivers of investment for UK coal production. There has been recent investment in new deep mine production, such as the re-opening of abandoned developments at Aberpergwm colliery and current work to revive Hatfield colliery. Overall the environment remains challenging with two of the remaining deep mines (at Rossington and Harworth) having been ‘mothballed’ over the last year.

4.25 Table 4.1 below shows estimates of deep and surface mine reserves identified in reviews commissioned by DTI in 1998 – 2004 adjusted to reflect subsequent mine closures and production and the uprating of newly proved reserves at ongoing mines. It shows an ongoing decline in reserves. Some of this decline could be reversed if surface mine output were at least maintained at recent levels subject to striking the right balance between the legitimate interests of the coal producers, the environmental impacts and the needs of communities.

4.26 In addition to this, there is thought to be in the order of 400 million tonnes of recoverable coal at other prospects, most of which would require either new mine developments or significant new investment at existing or former mines.

<table>
<thead>
<tr>
<th>Table 4.1: Estimated UK Coal Reserves</th>
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<tr>
<td></td>
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<tr>
<td>Million tonnes</td>
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<tr>
<td></td>
</tr>
<tr>
<td>Deep Mines</td>
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<tr>
<td>540  151  110  100  70</td>
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<tr>
<td>Surface Mines</td>
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<tr>
<td>325+  89  45  7  –</td>
</tr>
<tr>
<td>TOTAL</td>
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<tr>
<td>865+  240  142  107  70</td>
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4.27 The Government will convene a coal forum to bring together coal-fired generators, coal producers and suppliers, power plant suppliers, trade unions, small businesses and other parties in order to help them to find solutions to secure the long-term future of coal-fired power generation and UK coal production. The forum will facilitate dialogue within the industry and work to ensure that we have the right framework, consistent with our energy policy goals, to secure the long-term contribution of coal-fired power generation and optimise the use of economical coal reserves in the UK. Further information about the forum’s remit and participants will be announced shortly.

4.28 An important driver for UK coal investment is demand from coal-fired generators in the UK. Coal-fired generation continues to meet around a third of electricity demand on average and during the winter of 2005/2006 it met about half of demand, reflecting its continued importance in the UK’s energy system. To have a long-term future coal needs to tackle its heavy carbon emissions. But coal-fired generation technology is becoming cleaner and
carbon capture and storage (CCS) offers the promise of genuinely low carbon electricity generation from fossil fuels. Detail about the Government’s actions to promote cleaner coal and CCS are set out in Chapter 5.

Energy Imports

Managing the risks associated with energy imports

4.29 We have already outlined our international energy strategy in the section above. This is an important part of managing the risks associated with our increasing reliance on imported energy. But we must also consider whether our domestic energy market framework creates the right incentives for a sufficient and timely response to our need for more imported energy. We want incentives that deliver the new investment required in energy infrastructure (e.g. pipelines) and sufficient security (e.g. through storage).

4.30 We have long been importers of oil and coal and the infrastructure and markets to support this are well developed. Oil and coal are traded in global markets capable of adjusting to changes in demand and supply. And they are easy to transport and store. There were roughly 15 million tonnes of coal stocks at the end of 2005, equivalent to a quarter of annual demand. Emergency oil stocking arrangements are provided through the IEA and EU. However, the Government needs to continue to ensure that future legislation and targets (e.g. on air quality, carbon emissions and renewable fuels) which affect the domestic oil supply chain are informed by an understanding about the long-term impact on likely investment, the supply of fuels and prices to consumers.

4.31 It is in gas that the biggest changes are needed; we are moving from a position of virtual self-sufficiency to, by 2020, being 80 – 90% reliant on imports (see chart 13). While worldwide Liquefied Natural Gas (LNG) supplies and import capacity are forecast to double between 2005 and 2010, long-term contracts, limited liquidity in the market and shipping distances mean that gas is largely supplied into regional markets. Gas supplies could also be constrained by access to pipelines which cross many countries. In the future, however, a stronger global market for LNG might develop (see box 4.2). As a fuel, gas is more complex and more costly to store than coal or oil and there are currently no international arrangements to manage disruption to supplies, unlike in oil.
There are a number of trends affecting the UK gas industry over the next two decades. Some will have positive, and others will potentially have negative, implications for security of supply. The large amount of new gas import and storage capacity planned and being developed over the next few years should ensure a comfortable margin of ‘spare capacity’ over expected winter peak demand. The projects should also help increase the diversity of sources and physical infrastructure (e.g. supply routes) to deliver gas to the UK. At the same time, increasing dependence on imports from or through markets that are further afield and which are not always open and competitive can increase the risk of price volatility and reduce supply reliability. However, there is a risk that any new infrastructure required after the successful delivery of the current wave of investment might not be added in a timely manner, which risks creating imbalances between supply and demand.

This risk of ‘tightness’ in the balance between demand and supply could lead to relatively high and volatile prices, which could have a considerable impact on the economy. In fact, if new infrastructure is not forthcoming or is delayed, there is a risk of price rises, costing consumers hundreds of millions of pounds. For example, a 1p/therm increase in price on a winter day adds approximately £1 million to the wholesale cost of gas; over a winter this might equate to some £200 million.

To minimise these risks we need to ensure that new infrastructure comes on stream in a timely fashion to enable us to bring more gas to the UK, but we also need a more flexible market, for example through the provision of more storage capacity located close to the market, and greater flexibility on the part of energy users to cope with demand and supply fluctuations.

We believe that well-functioning markets are the best mechanism to achieve this. However, we need to ensure that the market can bring forward...
new infrastructure without delay and develop sufficient flexibility. This is necessary to meet the challenges of a longer supply chain for gas and to manage supply and demand side risks.

4.36 Recent market developments illustrate that the market is responding to the changing pattern of supply. Some £10 billion of private sector investment is planned over the next few years, both in terms of new pipelines, new LNG import terminals and new storage projects, which could deliver approximately 100 billion cubic meters or more by 2015 assuming all projects are completed – a level sufficient to meet our forecast gas import requirements. Our first priority should be to help ensure that these projects are delivered.

<table>
<thead>
<tr>
<th>Table 4.2: Planned gas imports infrastructure</th>
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<tr>
<td>Projects</td>
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</tr>
<tr>
<td>Langeled South</td>
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<tr>
<td>Statfjord Late Life</td>
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<tr>
<td>Expansion Interconnector</td>
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<td>BBL</td>
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<td>Expansion Isle of Grain</td>
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<td>South Hook LNG</td>
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<tr>
<td>Dragon LNG</td>
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<td>Teesside LNG</td>
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<td>Canvey Island LNG</td>
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Source: JESS, 2006

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<th>Table 4.3: Planned gas storage projects</th>
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<td>Projects</td>
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<td>----------</td>
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<tr>
<td>Aldbrough storage</td>
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<td>Holford storage</td>
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<td>Welton storage</td>
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<tr>
<td>Preesall storage</td>
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<tr>
<td>Aldbury (Phase 1)</td>
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<tr>
<td>Aldbury (Phase 2)</td>
</tr>
<tr>
<td>Bletchingley</td>
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<tr>
<td>Saltfleetby</td>
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<tr>
<td>Caythorpe</td>
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Source: JESS, 2006
4.37 Securing planning consent is a key factor in the timely delivery of such projects. We need a regulatory and planning regime that is fit for purpose and minimises risks and uncertainties for developers. However, currently, investors are faced by a mix of local planning controls overseen by the Department for Communities and Local Government and specialist consent regimes administered by the Department of Trade and Industry. These regimes have evolved over time in a piecemeal fashion and are not designed to reflect the major changes in the UK gas industry, nor the technological developments in this area.

4.38 Government will consult in autumn on the streamlining and simplification of the planning process for gas supply infrastructure projects. This is in line with the commitments made by the Secretary of State for Trade and Industry earlier this year. More details for our proposals in this area are set out in Chapter 7.

4.39 Given the scale of the change we will see in energy markets over the next few decades, particularly in gas, it is important that Government, suppliers and consumers base their decisions on credible transparent information. For this reason the Government will introduce new arrangements for the provision of forward-looking energy market information and analysis relating to security of supply. Led from the DTI and working with key energy market players, the objective will be to brigade in one place relevant data and analysis on the medium- and long-term adequacy of future energy supplies to assist energy market participants with their investment and purchasing decisions and to help early identification of areas where policy may need to be reviewed.

4.40 Increasing the level of insurance against supply interruptions, for example through increased storage capacity or distillate oil back-up tanks, adds costs to the system. It is not affordable to ensure our energy system is 100% reliable, 100% of the time.

4.41 We have considered the merits of strategic storage (see box 4.3) and concluded that, while strategic storage could reduce the likelihood of an involuntary gas supply interruption, this is unlikely to be an issue before the middle of the next decade. Moreover, any intervention carries costs (in the order of £2 billion for a ‘strategic store’ the size of the existing Rough storage facility in the North Sea) along with the risk of unintended consequences. The latter could be particularly detrimental in the case of strategic storage, undermining the very objective of the policy: by creating the option for the Government to ‘release’ gas into the market in case of a shortfall, we would dull the incentive for private sector companies to invest in more storage or other kinds of flexibility. The end result could be increased costs with a net-reduction – not increase – in security of supply, if, for example, projects that otherwise would be coming forward, were deterred.
BOX 4.3: GAS STORAGE

The UK is becoming increasingly gas import-dependent, and our ability, during periods of high demand (e.g. winter), to rely on additional, flexible supply from gas fields in the UK North Sea is reducing as production declines. It is clear that gas storage – and other forms of flexibility, such as the ability for electricity generators to switch from gas to alternative fuels – is going to play a key role in managing fluctuations in the amount of gas supply available and the level of demand, both from season to season and from day to day. We have therefore commissioned detailed analysis\(^{38}\) of the risks to UK gas security of supply in the next 10 – 15 years and an examination of the costs and benefits of developing ‘strategic gas storage’. As with any modelling exercise, it was not possible to capture all of the complexities of the gas market. However, the findings of the modelling (summarised below) are broadly consistent with views expressed by industry participants as part of the Energy Review consultation.

The risks to UK gas security of supply over the next two decades were analysed to calculate the level of risk of an involuntary supply interruption. The work showed the probability of an interruption between 2008 – 2014 to be minimal; the planned large expansion in gas supply infrastructure over this period provides substantial flexibility in sourcing supplies. After 2014 it estimated a 1-2% chance of a significant supply interruption. Despite such a low probability that gas supplies will be interrupted, the costs to the economy of such an interruption could be very high. The loss of gas supplies to energy intensive industry has both direct and indirect effects on suppliers to and customers of the affected businesses.

In this context, after around 2015, the model indicates that it is possible that the level of spare gas supply capacity could again become tight for UK consumers. While the probability of this leading to involuntary interruptions of gas supplies would likely remain very small, the costs of any shortfall to British industry and economy as a whole could be substantial. If companies fail to invest to protect themselves (and any customers they have committed to delivering gas to) against such low-probability events (e.g. through additional gas storage or fuel back-up), there might be a case for Government intervention, such as obligatory ‘strategic storage’.

4.42 The market is currently responding to need, as illustrated by the recent investments in storage and infrastructure. Any further consideration on strategic storage would likely be seen in an European and international context, particularly following recent developments, for example the 2006 EU Energy Green Paper or the international response to world shortages like Hurricane Katrina.

4.43 The aim should be to ensure our framework encourages industry to keep risks to a minimum and to do this in the most cost effective way. As we move away from self-sufficiency, it seems timely to engage with industry and

\(^{38}\) Ilex Consulting, Strategic storage and other options to ensure long-term gas security, 2006
consumers to assess the appropriate level of security of supply and the appropriate mechanisms to deliver it. Government will consult in the Autumn with both industry and consumers on the effectiveness of current gas security of supply arrangements, their robustness as we move to higher dependence on gas imports, and whether new measures are needed to strengthen them.

4.44 The consultation will consider the case for additional options, which could deliver increased market flexibility. This could be achieved through any of:
• changes in suppliers obligations, which could lead to an increase in the level of storage capacity;
• incentives for more gas and electricity demand side response, so that consumers reduce their gas demand when the system is under most strain;
• measures to incentivise distillate back up for gas-fired plants, which would encourage provision of distillate tanks enabling the release of gas to the market in case of tightness without jeopardising electricity security of supply.

Oil, Gas and Coal Proposals

• Our international energy security strategy will be reviewed later this year and will focus on the following outcomes:
  – open international energy markets framework
  – Transparency and good governance in the energy sector
  – effective international contingency arrangements to guard against physical supply shocks in world oil markets.
  – Political and economic stability in source and transit regions.
• Government will work with industry to boost investment in the UK Continental Shelf (UKCS) over the next 10 to 15 years irrespective of oil and gas prices:
  – Maximising investment in already producing fields.
  – Establishing a Taskforce for meeting infrastructure needs to the west of Shetland.
  – Supporting the development of a dynamic commercial framework.
  – Ensuring appropriate technological development.
• The Government will be convening a Coal Forum to bring together coal producers, coal-fired generators and other interested parties to help them to find solutions to secure the long-term future of coal-fired generation and UK coal production.
• Government will consult in autumn on the streamlining and simplification of the planning process for gas supply infrastructure projects.
• Government will introduce new arrangements for the provision of forward-looking energy market information and analysis relating to security of supply.
• Government will consult in the autumn with both industry and consumers on the effectiveness of current gas security of supply arrangements.