



6 July 2022

ENERGY SECURITY BILL

I am writing to inform you that the Energy Security Bill will have its First Reading in the House of Lords today.

As the world has emerged from the Covid-19 pandemic, global demand for energy has risen significantly – this has been exacerbated by Putin’s malign invasion of Ukraine. As a result, the wholesale price of gas has reached historically high levels.

That is why we are taking measures to support families

- **We are acting now with a £37 billion package of financial support this year.** Millions of the most vulnerable households will also receive £1,200 of one-off support in total this year.
- **Making changes to the National Insurance Contribution threshold** which take effect from today, with a typical employee saving over £330 a year.
- **Cutting bills by investing in energy efficiency.** We are also making huge progress on the energy efficiency of UK homes making them more comfortable and affordable to run, backed by £6 billion of funding over this Parliament. In 2008, 9% of UK homes had an Energy Performance Certificate of C or above – it is now 46%.

But secure, clean and affordable energy for the long term depends on the transformation of our energy system. This means more home-grown energy from more diverse sources which reduce our dependency on imported fossil fuels and our exposure to volatile and high prices in international markets. And we will reform our energy markets so consumers benefit from lower cost, home-grown renewables and other low carbon technologies. Our agenda will catalyse investment, reversing lost decades of under-investment, and boosting jobs and new industries in a world-leading, low-carbon economy.

That is why we are bringing forward a landmark Energy Security Bill. This Bill will deliver a **cleaner, more affordable and more secure energy system** for the long term. It builds on the ambitious commitments in the [Prime Minister’s Ten Point Plan](#) and the [British Energy Security Strategy](#) to invest in homegrown energy and maintain the diversity and resilience of the UK’s energy supply.

We will do this by:



Leveraging private investment in clean technologies and building a homegrown energy system.

Over the last decade the UK has built one of the most diverse energy systems in the world but previous governments have historically failed to make these investments which has left us in the current situation. The Bill will deliver key commitments from the British Energy Security Strategy, Prime Minister's Ten Point Plan and Net Zero Strategy to drive an unprecedented £100 billion of private sector investment by 2030 into new British industries and supporting around 480,000 clean jobs by the end of the decade.

- **Accelerate the growth of low carbon technologies.** We will introduce state of the art business models for carbon capture usage and storage (CCUS) and hydrogen, attracting private investment by providing long-term revenue certainty. Together with the measures on CO2 transport and storage, this will put the country on a path to seize market share and grow the economy.
- **Enable the set up and scale up of the first of a kind CO2 transport and storage networks.** The Bill will establish the economic regulation and licensing framework to ensure successful deployment.
- **Taking further steps to explore the role for hydrogen to heat our homes and workplaces.** We will enable the delivery of a large village hydrogen heating trial by 2025, providing crucial evidence to inform strategic decisions in 2026 on the role of hydrogen in heat decarbonisation.
- **Scale up heat pump manufacturing and installation, and a new white goods industry in the UK.** We will establish a market-based mechanism for the low-carbon heat industry to step up investment and lower the cost of electric heat pumps, through economies of scale and innovation.
- **Take the next big leap on the technology of the future with fusion regulation.** We will make the UK the first country to legislate for fusion, providing clarity on the regulatory regime for fusion energy facilities

Reforming our energy system to protect consumers from unfair pricing.

The last piece of primary energy legislation of this scale was the Energy Act 2013. Almost ten years later we need to ensure that this Bill accounts for the current global context.

- **Enabling the extension of the energy price cap, protecting families.** The energy price cap is the best safety net for 22 million households, preventing suppliers from overcharging consumers. The Bill will enable the extension of the price cap beyond 2023.
- **Enhancing our network security with a new system operator, which will boost energy resilience.** We will establish a Future System Operator, an independent body with responsibilities in both the electricity and gas systems, ensuring efficient energy planning, enhancing energy security, minimising cost to consumers and promoting innovation.



- **Creating more competition in our electricity networks to deliver bill savings.** We will enable competition in onshore electricity networks, delivering up to £1 billion savings for projects tendered over the next ten years.
- **Protect consumers from increasing network prices in the event of energy network company mergers.** We will enable the Competition and Markets Authority to review any relevant energy network company mergers under the Energy Network Special Merger Regime. We estimate this could save energy consumers up to £420 million over ten years.
- **Protecting consumers from cyber threats with new protections for smart appliances.** We are taking powers to deliver appropriate protections for consumers and the grid by placing requirements on energy smart appliances.
- **Helping consumers manage their energy use and cut their bills to help with the cost of living.** We are continuing to drive industry progress on the smart meter rollout which is set to deliver a £6 billion net benefit to society.
- **Enabling innovation and gearing our system toward net zero.** We will reform energy codes, overhauling the way that the technical and commercial rules of the energy system are governed.
- **Reducing the number of cabling, landing points, and substations.** We will introduce multi-purpose interconnectors as a licensable activity, we are providing certainty to investors and developers, enabling them to make decisions regarding future multi-purpose interconnector projects.
- **Removing obstacles to innovative batteries and pumped hydro storage.** We will facilitate the deployment of electricity storage, such as batteries and pumped hydro storage, by clarifying it as a distinct subset of electricity generation.
- **Creating a more equal and fair energy market.** We will enable the Government to establish a buy-out mechanism under the ECO scheme for suppliers.
- **Ensure families living on heat networks are better protected.** By appointing Ofgem as the new regulator for heat networks in Great Britain, we will ensure consumers get a fair price and a reliable supply of heat.
- **Kick-starting the development of heat networks.** By enabling heat network zoning in England, we will overcome barriers to deployment by identifying areas where they provide the lowest cost solution to heating buildings.
- **Taking back control of powers given to the EU on the energy performance of buildings.** The Bill will provide a replacement power to enable the UK Government to amend the EU-derived Energy Performance of Buildings regime going forward.

Ensuring the safety, security and resilience of the UK's energy system.

The responsible operation of the UK energy system is crucial for our safety and security. That is why the Bill will bring forward measures relating to core fuel resilience, nuclear and the offshore oil and gas sectors.

- **Protect our fuel resilience from malicious action.** We will bring forward measures for downstream oil security (such as oil terminals and filling stations) to prevent fuel



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supply disruption, such as from industrial action, malicious protest and for reasons of national security.

- **Boost British nuclear by removing barriers to investment.** The British Energy Security Strategy is clear that nuclear is an important part of the UK's energy mix. The Bill will remove potential barriers to future investment by enhancing our nuclear third party liability regime.
- **Prepare for our nuclear future and clean up the past.** The Bill will also facilitate the safe, and cost-effective clean-up of the UK's nuclear sites, ensuring the UK is a responsible nuclear state by clarifying that a geological disposal facility located deep below the seabed will be licensed.
- **Making our oil and gas sector fit for the future to ensure high standards.** Our oil and gas sector will continue to play an important role in ensuring security of supply. This Bill will enable existing legislation to be updated ensuring that the offshore oil and gas environmental regulatory regime maintains high standards in respect to habitats protection and pollution response.
- **Ensure responsible ownership of our UK assets.** The Bill will ensure that the UK's oil and gas and carbon storage infrastructure remains in the hands of companies with the best ability to operate it.
- **Protecting taxpayers by maximising cost recovery.** In line with the polluter pays principle, the Government will be able to more fully recover the costs associated with regulating offshore oil and gas decommissioning activities from the industry.
- **Simplifying regulatory frameworks.** This Bill will bring forward the final delicensing and re-use of nuclear sites. It will allow more proportionate clean-up of these sites, resulting in estimated savings of around £490 million (NPV) over the first 20 years, with similar savings up to 2080.
- **Strengthen the Civil Nuclear Police's powers to help keep Britain safe.** This Bill will introduce legislation to enable the Civil Nuclear Constabulary to utilise their expertise in deterrence and armed response to support the security of other critical infrastructure sites.

We will also be publishing factsheets on GOV.UK today, setting out further information on each measure in the Bill.

If you have any questions, please contact energybill2021@beis.gov.uk

Yours sincerely,

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