



U.S. Chamber of Commerce

**U.S.-UK
Business Council**

Ofgem Sponsorship Team
Department for Energy Security and Net Zero
Floor 3, Abbey
1 Victoria Street
London
SW1H 0ET

August 2, 2023

Subject: U.S. Chamber of Commerce response to UK Energy Policy Strategy and Policy Statement Consultation

Dear Sir/Madam,

The U.S. Chamber of Commerce ("Chamber") is the world's largest business federation, representing the interests of more than three million enterprises of all sizes and sectors. As a staunch advocate for strong commercial ties between the United States and the United Kingdom, the Chamber established the U.S.-UK Business Council in 2016 to navigate the challenges and opportunities arising from the UK's departure from the European Union. With over 40 U.S. and UK firms as active members, the Council is dedicated to strengthening the commercial relationship between our nations and advancing our shared interests.

The Chamber applauds the substantial economic ties between our two nations, including more than \$1.35 trillion in two-way investment, creating nearly 2.8 million British and American jobs. We are each other's strongest allies, single largest foreign investors, and the U.S. serves as the UK's largest trading partner.

Moreover, the Chamber is at the forefront of shaping energy policies globally, and the U.S.-UK Business Council welcomes the opportunity to provide His Majesty's Government ("HMG") with our response to the UK Energy Policy Strategy and Policy Statement consultation. As a leading business advocate for sustainable economic growth and environmental stewardship, we commend the UK government's proactive approach in formulating a forward-looking and inclusive strategy for the energy sector in Great Britain. Our response aims to address the three key questions raised in the consultation while providing additional insights and recommendations for an effective, resilient, and sustainable energy policy.

- 1. Does the strategy and policy statement identify the most important strategic priorities and policy outcomes for the government in formulating policy for the energy sector in Great Britain? If not, please provide details of the priorities that you think should be included.**

Chamber Response: The strategy and policy statement have commendably identified several crucial strategic priorities and policy outcomes that align with the current and future needs of the UK energy sector. These include ensuring energy security and affordability, the transition to cleaner energy sources, enhancing energy efficiency, promoting grid resilience, fostering innovation, and ensuring consumer protection.

However, we propose the inclusion of the following additional priorities to further enhance the strategy's comprehensiveness and effectiveness:

- a) **Promoting Market-Based Solutions:** Emphasize the importance of embracing market-based solutions that incentivize innovation, competition, and private sector investment. Market mechanisms, play a pivotal role in driving technological advancements and sustainable economic growth while enabling businesses to adapt to evolving market demands.
- b) **Enhancing Private-Public Partnerships:** Acknowledge the pivotal role of public-private partnerships in achieving energy policy objectives. Collaborative efforts between the public and private sectors foster the implementation of innovative initiatives, create a more resilient energy infrastructure, and amplify the impact of climate solutions. By fostering a conducive environment for public-private cooperation, the government can leverage the expertise and resources of businesses to accelerate the energy transition.
- c) **Focusing on Emissions, not Technologies:** We commend the strategy for highlighting the role of gas and hydrogen, and for laying out a plan to build out and enable critical hydrogen and CCUS infrastructure. However, the strategy should more explicitly recognize color-neutrality of hydrogen to keep the emphasis on an overall reduction of emissions.
- d) **Supporting Energy Resilience and Adaptation:** In light of the escalating frequency and intensity of natural disasters and climate-related events, emphasize the significance of energy resilience and adaptiveness. The strategy should outline comprehensive measures to enhance infrastructure and response systems, thereby mitigating the impact of climate-related events and ensuring energy security. Energy security would be further enhanced by a final repeal of the energy windfall tax.

Lastly, the strategy should underscore the critical role of domestic production in ensuring energy security and reducing emissions. The recent decision by the government to expand licensing of offshore North Sea projects, coupled with investment in CCUS, is a positive step in safeguarding long-term energy availability and climate goals, and should be noted in the strategy.

2. **Does the strategy and policy statement effectively set out the role of Ofgem in supporting the government to deliver its priorities? If not, please identify where these expectations could be made clearer.**

Chamber Response: While the strategy briefly outlines Ofgem's role in supporting the government's priorities, further clarity is needed to ensure a coherent and effective partnership between the government and Ofgem. We recommend the following:

- a) **Empowering Ofgem's Regulatory Flexibility:** Enable Ofgem to respond swiftly to evolving market dynamics and technological advancements by granting regulatory flexibility. This approach will facilitate adaptive policymaking while maintaining the broader energy policy objectives. A flexible regulatory framework allows Ofgem to strike a balance between promoting competition, ensuring consumer protection, and supporting the transition to cleaner energy sources.
 - b) **Encouraging Transparency and Stakeholder Engagement:** Promote transparency in Ofgem's decision-making processes and actively involve stakeholders in policy discussions. Inclusive engagement fosters better-informed decisions that consider diverse perspectives, leading to comprehensive and effective sector-wide policies. By enhancing transparency and engaging stakeholders, Ofgem can build trust and cooperation among key players in the energy sector.
 - c) **Aligning Incentives with Policy Objectives:** Ensure that Ofgem's incentives align with the government's energy policy objectives. A harmonious approach between the government and Ofgem is essential for achieving long-term sustainability and resilience in the energy sector. Aligning incentives can incentivize Ofgem to prioritize policy objectives while ensuring a fair and competitive energy market.
3. **Given the Future System Operator does not exist yet but will need to have regard to the strategy and policy statement once it does, do you consider that we have effectively reflected the Future System Operator's role in this document? If not, please identify where these expectations could be made clearer.**

Chamber Response: The strategy appropriately acknowledges the forthcoming establishment of the Future System Operator. However, further clarity is required to outline the Future System Operator's role effectively. We recommend the following areas for enhanced clarity:

- a) **Defining the Future System Operator's Responsibilities:** Elaborate on the specific responsibilities of the Future System Operator, such as managing energy distribution, ensuring grid stability, and promoting the integration of renewable energy sources. Clear definitions will facilitate a deeper understanding of its role and expectations, enabling the Future System Operator to operate effectively in the evolving energy landscape.
- b) **Enabling Regulatory Flexibility for the Future System Operator:** Recognize the Future System Operator's potential need for regulatory flexibility as a novel entity. An adaptable regulatory framework will enable the Future System Operator to respond effectively to the evolving energy landscape, accommodating emerging technologies and market demands.

- c) **Emphasizing the Future System Operator's Role in Innovating Energy Systems:** The strategy should empower the Future System Operator to drive innovation in energy systems. By fostering the integration of innovative technologies and promoting the transition to clean and sustainable energy, the Future System Operator can play a pivotal role in shaping the energy sector's future. Emphasizing innovation will enable the Future System Operator to adapt to changing energy needs while contributing to the UK's energy security and environmental objectives.

In conclusion, the Chamber is grateful for the opportunity to contribute to the UK Energy Policy Strategy and Policy Statement consultation. As representatives of the business community, we firmly believe that collaborative efforts between the government, private sector entities, and other stakeholders are essential to achieve a sustainable and resilient energy future for Great Britain. We hope that our recommendations will be valuable in shaping an effective and robust energy policy framework that fosters innovation, economic growth, and environmental protection.

Thank you for considering our feedback. We look forward to continued engagement and partnership in advancing the UK's energy goals.

Sincerely,

A handwritten signature in black ink that reads "Marjorie Chorlins". The signature is written in a cursive, flowing style.

Marjorie Chorlins
Senior Vice President, Europe
U.S. Chamber of Commerce