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Facing the challenge of worldwide energy price rises

Professor Frank Peck considers the implications of the global energy crisis for households and businesses in Cumbria

Energy is in the news. In February 2022, the regulator Ofgem reported that electricity and gas bills for a typical household on a standard tariff will increase by £693 per annum when the price cap is raised after 1st April 2022, an increase of 54%. And this is not the end of the story as market pressures are likely to induce further increases in the autumn.

The reasons for this increase have been widely reported – demand for oil and gas has risen sharply as the global economy emerges from the pandemic. Simultaneously, the amount of gas storage is at a low level and unable to meet current demand. The situation has then been worsened considerably by the impact of Russian sanctions on the wholesale price of gas; the UK obtains very little of its gas supply direct from Russia but price rises will still have major impacts on UK energy costs.

This global scenario presents major challenges to economic policymakers in the UK at both national and local levels. Most immediately, there are concerns raised about the impact on levels of economic hardship across the UK. The cost of living is increasing across many aspects besides energy – the average expert forecast suggests that inflation for 2022 could reach 4.7% and a few suggest it could be much higher (over 6%). These figures include allowance for the rise in the cost of food and commodities as well as price rises associated with the current disruption to global supply chains.

Price rises of these proportion will impact on all households, but they are likely to have the worst effect on those who are either out of work, unable to

Morecambe Bay has the potential for development of tidal energy resources

work or on low incomes. An indication of the prevalence of economic hardship across Cumbria can be obtained by examining data on the numbers of claimants on Universal Credit. A recent Labour Market Briefing from Cumbria Intelligence Observatory shows that in January 2022 the percentage of people on Universal Credit in Cumbria was below the UK average (11.5% compared to 13.8%). Nonetheless, there are nearly 34,000 people on UC across Cumbria and many are concentrated in particular deprived communities.

Estimates vary, but experts all agree that the number of people living in 'fuel stress' (where over 10% of household budget is spent on energy) is likely to increase dramatically which has triggered a national response from the UK Treasury – a package of emergency measures designed to offset these price rises for those in greatest need. These include measures to spread sudden costs rises over a longer period of time, targeted council tax rebates and a discretionary fund for poorer households to be administered by local authorities. Many critics argue that these interventions will prove insufficient.

While many households face the prospect of economic hardship, businesses too have grave concerns not least because there is no protection from an energy price cap. This is critical for businesses with high energy and/or fuel costs as in most manufacturing, construction, transport and agriculture. But via economic linkages, these costs will inevitably affect all businesses through higher costs of purchasing of goods and services.

Yet if there is a silver lining in the adverse circumstances of the global crisis, the need for energy security and energy independence draws attention to the vital role of green energy and renewables in economic policies at all scales. "Green energy" is, of course, one the sectors identified by Cumbria Local Enterprise Partnership (CLEP) as a priority for the future of the County.

While nuclear expertise is focused on waste management, reprocessing and decommissioning, the evidence-base supporting the Cumbria Local Industrial Strategy (LIS) notes that Cumbria has "nuclear licensed sites and adjacent land assets" that has the potential for future growth in new electricity generation. As reported recently in *in-Cumbria*, the Moorside site is still a possible location to host a prototype fusion power plant.

Cumbria plays host to over 20% of the UK's wind farm generation capacity, including prominently the offshore wind farms off the coast at Barrow (Walney I and II). The county is also an important location for mini-hydro generation schemes and biomass power generation. Furthermore, there is potential for development of tidal energy resources on the Solway, Duddon Estuary and Morecambe Bay as well as prospects for Tidal Lagoons.

These suggestions, of course, have their critics who have concerns about environmental impacts as well as the possible lack of local accountability and employment opportunity. But in the context of current discussions surrounding energy independence, schemes like these that are local or regional in scale deserve much closer attention.