

18 January 2022

Contents

ANALYSIS: UK's accelerated offshore wind ambition set to erode gas market share
Publication date: 06 October 2020

Gas Strategies Group

10 Saint Bride Street
London UK
EC4A 4AD

ISSN: 0964-8496

T: +44(0) 20 7332 9900
W: www.gasstrategies.com
Twitter @GasStrategies

Editorials

+44(0) 20 7332 9957
editor@gasstrategies.com

Subscriptions

+44(0) 20 7332 9976
subscriptions@gasstrategies.com



ANALYSIS: UK's accelerated offshore wind ambition set to erode gas market share

Get the inside line. Take a free trial of Gas Strategies Information Services:

- Full access to Gas Matters, Gas Matters Today & LNG Business Review
- Access to our fully searchable archives containing
- Daily, weekly and monthly newsletters bringing the latest news and features to your inbox
- Gas Strategies iOS app

Free trial code **GS20**

Complimentary access

[1]

The UK government has hiked by a third its target for offshore wind deployment this decade and pledged to bankroll upgrades to British ports to enable them to assemble next-generation wind turbines. The new target, which was welcomed by renewables advocates, would see offshore wind growth more than offset nuclear decommissioning capacity losses and any failure to build out new UK reactors, thereby threatening to eat into natural gas power market share too.

UK prime minister Boris Johnson unveiled a new target for offshore wind capacity of 40 GW by 2030, up from 30 GW previously. He also pledged GBP 160 million (USD 208 million) to upgrade infrastructure across northern England, Scotland and Wales.

Speaking at a virtual Conservative Party conference today, Johnson pledged a “green industrial revolution” to stimulate the flagging UK economy by becoming the “Saudi Arabia” of wind power, generating electricity that is “cheaper than coal, cheaper than gas”.

Johnson name-checked hydrogen, carbon capture and storage (CCS) and electric vehicles as potential solutions to help the UK hit net zero climate emissions by 2050. The PM also set a target for 1 GW of floating wind by 2030, and pledged that his government’s long-awaited energy white paper, due in summer 2019, will finally arrive later this year.

The Department of Business, Energy and Industrial Strategy (BEIS) shall double the capacity of renewable energy projects that will receive support in the next Contracts for Difference auction, which will

open in late 2021.

Delivering 40 GW of offshore wind power by 2030 represents a notable acceleration of the UK's ambition in this space. London set its previous target in March 2019, which envisaged 30 GW by 2030 and 40 GW ten years later.

This could alter the overall UK power generation mix. The latest BEIS projection on installed capacity of each power generation source foresees renewables of all stripes – including onshore wind, solar PV and biomass – achieving 27 GW of cumulative capacity additions by 2030.

The projection – last updated in March 2019 – also anticipates two nuclear newbuild projects coming onstream over that timeframe, for a cumulative addition of 6.3 GW by 2030.

This would offset the loss of several major reactor plants that are coming offline in the coming years, but delivering two newbuild nuclear power plants this decade is not a foregone conclusion.

The 3.3 GW Hinkley Point C project in Somerset is making headway, albeit significantly behind schedule and over budget, but other projects in the programme are making no headway at all after numerous investors pulled out [2].

In the BEIS projection's central 'reference case', total UK nuclear generation will dip from 59 TWh in 2020 to 36 TWh in 2024, before rising to 72 TWh in 2029 and 64 TWh in 2030. If only Hinkley C is delivered, nuclear output would flatline at 53 TWh over 2028-30, leaving a generation gap of around 11 TWh.

Gas-fired power generation is expected to pick up the slack mid-decade as older reactors come offline, but more offshore wind power could curb the grid's call on gas plants towards the end of the decade.

The reference case anticipates total renewable power generation ramping up to 185 TWh in 2030. A further 10 GW of offshore wind would add around 30 GWh of annual power generation to that figure.

Unless UK power demand is that much greater by then, the net effect of the extra wind and less nuclear power means gas-fired power generation could be reduced by 19 TWh in 2030, from 66 TWh to 47 TWh – less than half of UK gas-fired power generation today.

Rising to the challenge?

Achieving 40 GW of offshore wind by 2030 is not a given. The industry is currently capable of building 2 GW of new capacity each year. The new target requires more than 3 GW to be installed every year for the rest of this decade.

Wind industry figures cautioned that planning decisions still take too long, meaning renewable energy projects can be left in limbo for years. There are also infrastructure, skills and supply chain shortages, which Johnson promised his government would fill.

Orsted UK region head Duncan Clark said: "This is a challenging target but achievable if government and the industry continue to work together to accelerate deployment and build out the UK project pipeline as quickly as possible."

GMB, Britain's general union, was less enthusiastic. GMB national secretary Jude Brimble said "previous promises of green jobs have seen yards in Britain mothballed and manufacturing contracts outsourced overseas. The Prime Minister is relying on powers the UK may or may not have post-Brexit. Once again his promises look like nothing more than hot air." - SK



Consulting

+44 (0) 20 7332 9900
consult@gasstrategies.com



Alphatania Training

+44 (0) 20 7332 9910
training@gasstrategies.com



Information Services

+44 (0) 20 7332 9976
subscriptions@gasstrategies.com