Culture, Tourism, Europe and External Affairs Committee

26th Meeting 2020 (Session 5), Thursday 5 November 2020

Negotiation of the Future Relationship between the European Union and the UK Government

Written Submission from Scottish and Southern Energy (SSE) plc

SSE plc welcomes the opportunity to provide written evidence to the Culture, Tourism, Europe and External Affairs Committee as part of the inquiry into Negotiation of the Future Relationship between the European Union and the UK Government. Headquartered in Perth, SSE is a UK-listed energy company with operations and investments across the UK and Ireland.

SSE is primarily a developer, an operator and an owner of low-carbon energy assets and businesses, with a strategic focus on regulated electricity networks and renewable energy. Our purpose is to provide energy needed today while building a better world of energy for tomorrow, and our strategy is based on creating value for shareholders and society in a low-carbon world.

We are a significant employer and investor in Scotland and in June 2020, despite the challenging economic environment, SSE announced plans to invest over £7bn of private capital in low carbon infrastructure to power the green recovery, including:

- Viking Onshore Wind Farm on Shetland, the largest onshore wind farm by output;
- Seagreen Offshore Wind Farm, the largest offshore wind farm in Scotland;
- The world’s largest offshore wind farm at Dogger Bank;
- At least £2.4 billion of potential electricity transmission upgrades to the North of Scotland.

SSE’s approach to managing Brexit

Throughout the Brexit process, SSE’s immediate priority has been to continue to deliver on its commitment to play its part in maintaining security of supply, and understand how the decision to leave the EU may impact its operational environment. A dedicated project group – in place since the result of the EU referendum – has carried out comprehensive planning for all Brexit scenarios and is monitoring negotiations closely. SSE urges both the UK and EU to work together to reach a deal which can deliver on net zero emissions targets to build cleaner, more resilient economies as part of a green recovery from COVID-19.

Key issues

a) Security of supply

Regarding security of supply, SSE’s Transmission business leads on communications with National Grid ESO in relation to outage management, winter demand plans and interconnector stability. Security of supply is the responsibility of the UK Government,
the Regulators and the System Operators (for Great Britain and Northern Ireland) but SSE is keen to assist those parties discharge their duties.

b) Supply chain

Reviews of Brexit risks have been undertaken by SSE’s Business Units in the UK and Ireland: Transmission, Distribution, Renewables, Thermal, Enterprise, EPMI, and Customers. Reviews have also taken place within SSE Group functions: HR, Procurement, Data, Finance and Regulation teams.

SSE’s procurement team has undertaken a supply chain audit to advise on stock-levels of key equipment and emergency stocks are ringfenced and reviewed to ensure levels are maintained. SSE’s Business Units have also engaged with identified key suppliers and ongoing monitoring continues to progress. At present, SSE does not envisage that there will be any delays to our major projects because of Brexit.

c) Carbon pricing

SSE considers a mutually beneficial collaborative energy relationship between the UK and EU to be in the interests of all parties. SSE is bringing forward large low carbon generation projects that will decarbonise its portfolio and provide low carbon energy to help meet the UK’s net zero commitments. Critical to deploying these, and similar low carbon projects, will be robust carbon pricing.

Longer term, carbon pricing will help drive the use of low carbon hydrogen for power generation and incentivise the negative emissions necessary to get to net zero. SSE was supportive of the UK remaining in the EU Emissions Trading System (ETS) to underpin decarbonisation efforts, however this is no longer a viable option. SSE is therefore supportive of a linkage agreement between a UK ETS and the EU ETS, as set out in the Political Declaration.

d) Renewable Energy Guarantees of Origin (REGOs)

EU laws relating to the promotion of the use of energy from renewable sources and energy efficiency generally will no longer be applicable in the UK from the end of the transition period. Unless a trade agreement is reached between the UK and EU, guarantees of origin published by designated bodies in the UK will no longer be recognised by the EU Member States from 1 January 2021. In the UK, Ofgem has confirmed that it will continue to issue REGOs and accept Guarantees of Origins (GoOs) from EU member states from the end of the transition period, however, it is understood that the UK Government intends to review this in 2021. SSE will continue to engage with the Department for Business, Energy and Industrial Strategy on this matter.

SSE’s greatest asset is its people

Over 11,000 people work for SSE from a range of backgrounds. Over the past seven months, SSE employees have all had to adjust both home and work lives because of the COVID-19 pandemic, and quickly respond and change the way they work, with the safety and wellbeing of colleagues, stakeholders and customers at the forefront.
SSE draws on the talent and skills of people from all around the world, including our colleagues who are directly impacted by the UK's departure from the European Union. Throughout the Brexit process, in addition to advocating continued stability on energy policy, SSE has made the case for an agreement that guarantees the right of EU citizens currently in the UK to continue to live and work here. SSE has worked with Energy UK to engage with the Department for Business, Energy and Industrial Strategy and the Home Office to understand any Brexit implications for our employees and has sought to support colleagues who need assistance in applying for the EU Settlement Scheme.

Longer term, a key risk that the UK energy industry faces is the ability to attract, develop and retain an appropriately skilled, diverse and responsible workforce. SSE strongly supports a future UK-EU relationship continued access to labour from EU Member States.

**New EU-UK relationship**

SSE notes that both the UK and the EU have committed to reaching net zero by 2050 and in the spirit of this shared ambition, SSE strongly supports the establishment of a future relationship which includes close cooperation between the UK and EU on decarbonisation.

Taking into consideration the significant changes needed in the energy system to reach climate targets, SSE is supportive of calls for the UK to be reinstated as a member of the North Seas Energy Cooperation to work with European partners on the development of offshore wind farms and grid infrastructure. Robust and linked carbon pricing, appropriate interconnection and efficient coordination on offshore wind in the North Seas are all important areas that need to be optimised to support the UK’s ability to deliver the green recovery.