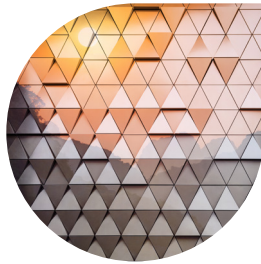


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Interview with:

Duncan Burt, Chief Sustainability Officer at National Grid Group

Duncan Burt, the Chief Sustainability Officer at National Grid Group, leading the Group's engagement in decarbonisation and Climate change spoke with Tessa Lee and Lucia Ciocarlan about National Grid's role as partner of COP26 and the challenges in connection with energy transition and decarbonisation.

Q: Why did National Grid decided to be partner of COP26?

A: National Grid was invited to become a partner of COP26 by the UK Government. Our geology department got involved in the Energy Transition in the UK and what was going on more broadly in the United States and our businesses there. We were delighted to join. For the last 18 months we have been helping with some of the international engagement with peer organisations around the world, particularly in South East Asia, engaging the green operators, energy companies and energy nurseries in countries like Indonesia, South Africa and Vietnam. We have been showing the lessons learned from the transition in the UK over the last 15 or 20 years and helping troubleshoot some of the issues that are being seen in those geographies. By working with the people on ground there we are helping them formulate plans for those countries and policies in those geographies.

Another reason is that we have a big role at the heart of the energy transition for the communities in which we operate in UK, Europe and US. This gives us an opportunity to be part of the conversations and to help get things done and to play our part in helping make it a success in the UK.

Q: What would you consider to be a successful outcome of the COP26? What do you think are the biggest challenges that COP26 process will face?

A: I think that a lot of people treat the COP process like a typical summit or a diplomatic engagement where there is a single outcome, an agreement on a new issue, but that's not what COP is about. COP26 is about increasing the ambitions or commitments and then trying to keep a 1.5 degree warming limit in sight. Therefore, the choreography of the dynamic of what will happen at Glasgow are slightly different to a conventional diplomatic summit.

Successful outcome looks like a continued engagement of people and of nations' ambitions to cut carbon quickly. And we are seeing China commit to a 2060 net zero target, and some very positive progress around peaking emissions prior to 2030 there. We are seeing huge moves in the US towards reductions by the new Biden administration, and we've consistently seen that at state level for the last five years, and we're also obviously seeing the big European programmes crank up in the way we expected they would.

The UK government has been really clear that it's been aiming for new consensus on coal, cars, cash and trees, which feels about right to us. That is an end to investment in new coal and support and investments to decommission coal-run power stations as quickly as possible around the world, and that's the single largest measure that will help reduce carbon emissions in the next 10 years. A lot of that is in China, but actually the diplomatic effort is focused outside China on places like Indonesia, India and South Africa, where, ideally, we can get global consensus on an end to the internal combustion engine (which is being announced by most of the automotive manufacturers everywhere), but getting that clarity and single date globally will help drive the market, help drive investment in changing infrastructure, and just help adoption generally.

Cash is about finally achieving the hundred billion support from rich nations to middle income and developing nations to support mitigation of climate change effects. The costs of going to zero carbon, particularly for the energy sector, have come down so much now that it's cheaper to build renewables than it is to burn the coal. The economics have changed and there is significant cost to these countries over the long term as ultimate end-to-end user benefit. It is a significant upfront capital investment for which the financial instruments need to be improved. We are also faced with mitigating the effects of climate change that we'll see at 1.5 or 2 degrees in some of the low-lying line of nations. Some of those middle-income countries are really going to see the hard, early hits of climate change, be it from fire or from some of the floods or some of the impacts of early sea water rises, particularly in river deltas and elsewhere.

And then the final bit is on trees where, there are two estimates coming out of Glasgow. One is a really significant one on our UK system improvement and enhancement and the check-ins around effectively improving uptake of carbon by nature. One of the really key things is that it is not simply about planting trees to offset emissions which carry on emitting for those sectors we're expecting them to get to zero and then really improve ecosystems to absorb some of the carbon they have already emitted.

Q: What changes has National Grid experienced since COP21 and what new challenges you expect to face after COP26 in connection with energy transition?

A: Certainly in Europe, the rapid growth in renewables. We've seen huge growth in renewables by the UK and right across Europe. The UK grid now operates at about 50-55 per cent zero carbon energy, mainly nuclear renewables, and that's a huge transition to how we operate the network and the pressure to build up the new connections in the network or the big off-shore wind farms that are coming on, particularly in the North Sea. There's a huge increase in activity associated with that effort. We've seen a huge growth in recruitment and interest in working in the energy sector, particularly amongst graduates coming through, who want to be a part of the solutions to the climate change and help deliver net zero. We've seen a big increase in our graduate recruitment, and we've seen a big climb in the job community to deliver net zero. We've seen 400,000 jobs in the UK in the energy sector alone. We took part in the UK government study which showed two million new jobs in the UK associated with going for net zero. It's a huge change from a relatively dull sector where we were fighting for recruitment to one where we have the best graduates available knocking on our door. It's a great place to be.

Alongside that, we've got a huge amount of questions from investors and from the board and even across the broader stakeholder communities on what our investment plans are, what we're doing, how we see the business evolving in line with the new requirements for TCFD, in line with the sort of wider climate plan disclosure requirements which we are working hard on. That's great to see and it's really important because it's a big change for the business and for the governance of the business as whole.

Q: Which energy technologies (eg, energy storage, hydrogen) in your opinion will play a key role in order to achieve emission reduction targets?

A: We have most of the technologies that we need, we don't have to invent anything to get to net zero. For Europe the big proportion of that technology will be renewable and nuclear for the energy, and the shift for transport demand which is currently all petrol and diesel and cars and lorries, most of that will come onto the electricity grid. In the countries with a more Mediterranean climate, once the cars are electrified, the heating sector will have to be decarbonised. In Italy and similar Mediterranean countries we expect will use a lot of battery storage to manage their peak or peak areas. For northern latitude countries which tend to be wealthier, like Northern Europe, Scandinavia, north east of the US and north of Japan there is some big questions as to how we handle winter peak heat. We do think a significant proportion of existing heat demand will be electrified but alongside that we do see a role for hydrogen and renewable gas to help manage those peaks and hydrogen more generally has been absolutely the technology of the last 18 months and what hydrogen will do is fill in those harder to decarbonise sectors that cannot be reached by electricity or by other option, such as heat networks and potentially aviation, although those areas represent a relatively small proportion of the existing emissions for any large economy and therefore we have got a bit of time to sort that out but it looks like hydrogen will be a very good option for them.

Q: Some of the most important Parties to the COP26 (eg, EU, UK, US, Canada and China) have announced a long-term strategy aimed at carbon neutrality/net zero GHG emissions within 2050. In your opinion, how do you think this target will affect National Grid and other energy operators?

A: It's a huge transformation in the way we do business and what we have to do. Electricity demand in particular is likely to grow from around 20 per cent in 2015 in a typical economy like New York or UK or Italy, to up to between 50 and 70 per cent of total energy supplied in the economy. This will be a huge transformation for energy businesses to get their heads round and for infrastructure delivery over the next 20 years to help make that happen. Alongside that, what we are watching is a shift away from decarbonisation. We are now in a world where with the commitments we are seeing out of China and the United States, and a hard push on economy-wide decarbonisation from all the large markets, we are likely to see the return to normal business of industrial competition, technology competition, real innovation and the emergence of some new hubs and eco-systems of different companies that are growing and benefiting from the rapid pace of that transition. Some of the largest companies in this new energy space that we will see in the 2030s and 2040s probably don't exist today or if they do they are very small. That's fascinating for us as a long lived company in the sector and it presents big opportunities as well as challenges to the sector as a whole. There is a real sense of competition between economies here, between markets, as to who is going to win some of these transition changes and that's what you're seeing in the focus and attention that these industries are getting in the United States and China and Europe. There are real economic gains here in terms of economic development, industrialisation and jobs and it will be won or lost in the next 20 years on decarbonisation.



Duncan Burt

Chief Sustainability Officer at National Grid Group

Duncan Burt is the Chief Sustainability Officer at National Grid Group, leading the Group's engagement in decarbonisation and Climate change.

Until recently he was Director of Operations for the UK electricity and gas transmission grids. He has held a variety of commercial and engineering roles at National Grid. Prior to joining the company, he worked in Pharmaceuticals for GlaxoSmithKline.

National Grid is one of the largest listed utilities in the world, with operations in the UK and the US.

Key contacts



Tessa Lee

Partner

Tel: +39 02 88 393 5230

tessa.lee@linklaters.com



Lucia Ciocarlan

Managing Associate

Tel: +39 028 8393 5327

lucia.ciocarlan@linklaters.com

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