

Keeping the Lights Burning.

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As Far as ENERGY SUPPLIES are concerned, Britain is Self-Sufficient:

- We produce as much *Oil* and *Natural Gas* as we consume, from our own reserves in the North Sea.
- We have enough *Coal* to supply all our needs.
- Our stocks of *Nuclear Fuel* will outlast our nuclear power stations
- We are the *Windiest* Country in Europe.

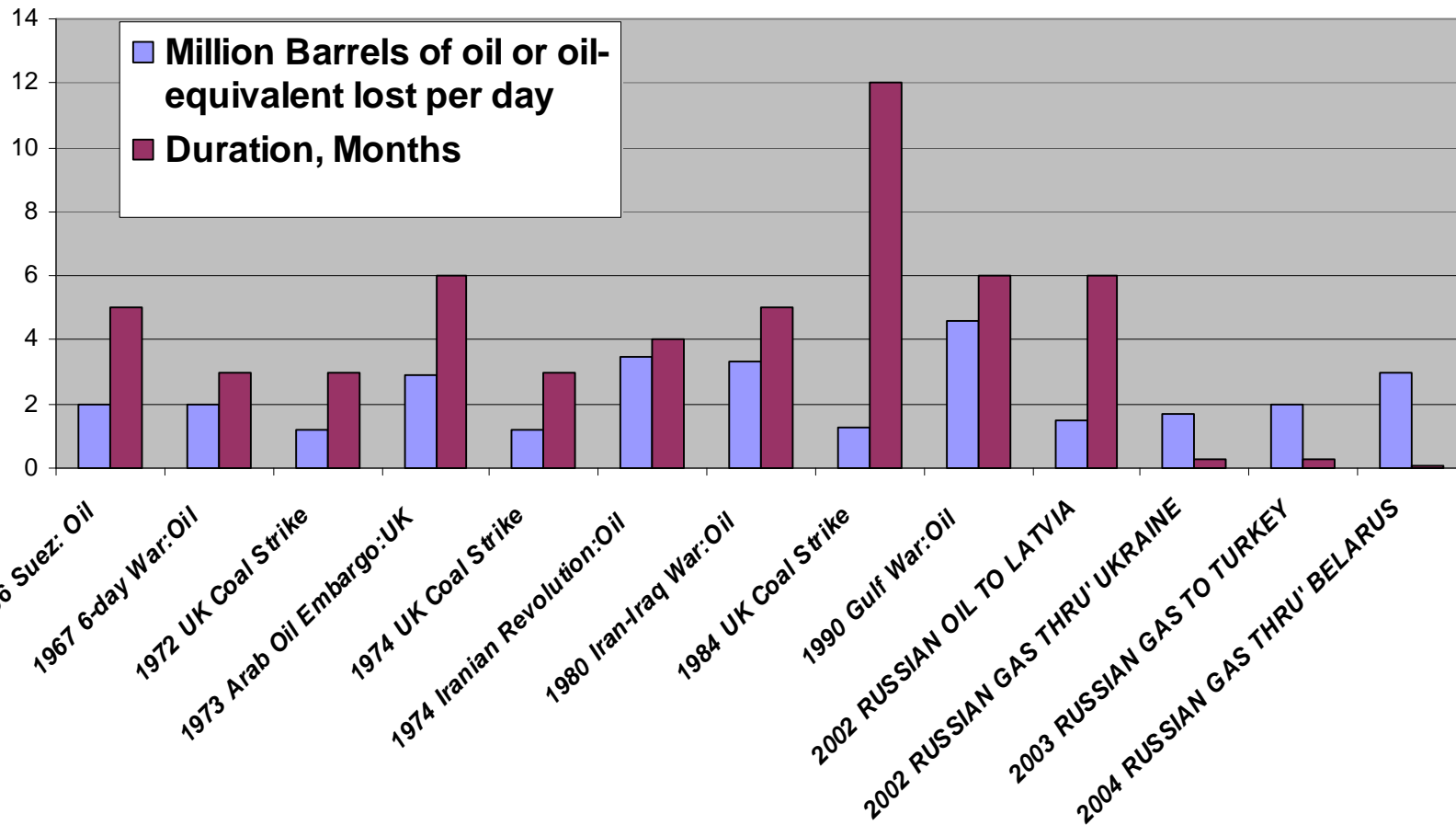
Britain's Oil Imports were Unreliable.

- Before Britain's own Oil Reserves were discovered, under the North Sea, we relied on Oil imported from the Middle East.
- These imports were regularly interrupted by events such as the Suez crisis, the Iranian Revolution, the Arab Oil Embargo and the two Gulf Wars, leading to major losses of GDP such as that due to "The Three Day Week"
- New interruptions to Oil Exports from the Middle East are currently very likely, stemming from the situation in Iraq and its repercussions in Saudi Arabia.

By 2020 Britain will have run out of Oil and Gas.

- Britain's reserves of Oil and Gas will be exhausted by 2020.
- So by 2020 we shall have to import all our Oil from the Middle East again.
- By 2020 we shall have to import all our gas, too, most of it from Russia.
- The experience of the Lloyd's of London Insurance Market shows that *supplies of Russian gas are just as likely to be interrupted as have been supplies of oil from the Middle East.*

Loss of Oil (and coal) deliveries to UK due to Political Instability
Loss of Recent Russian Gas Deliveries through Pipelines to Europe.

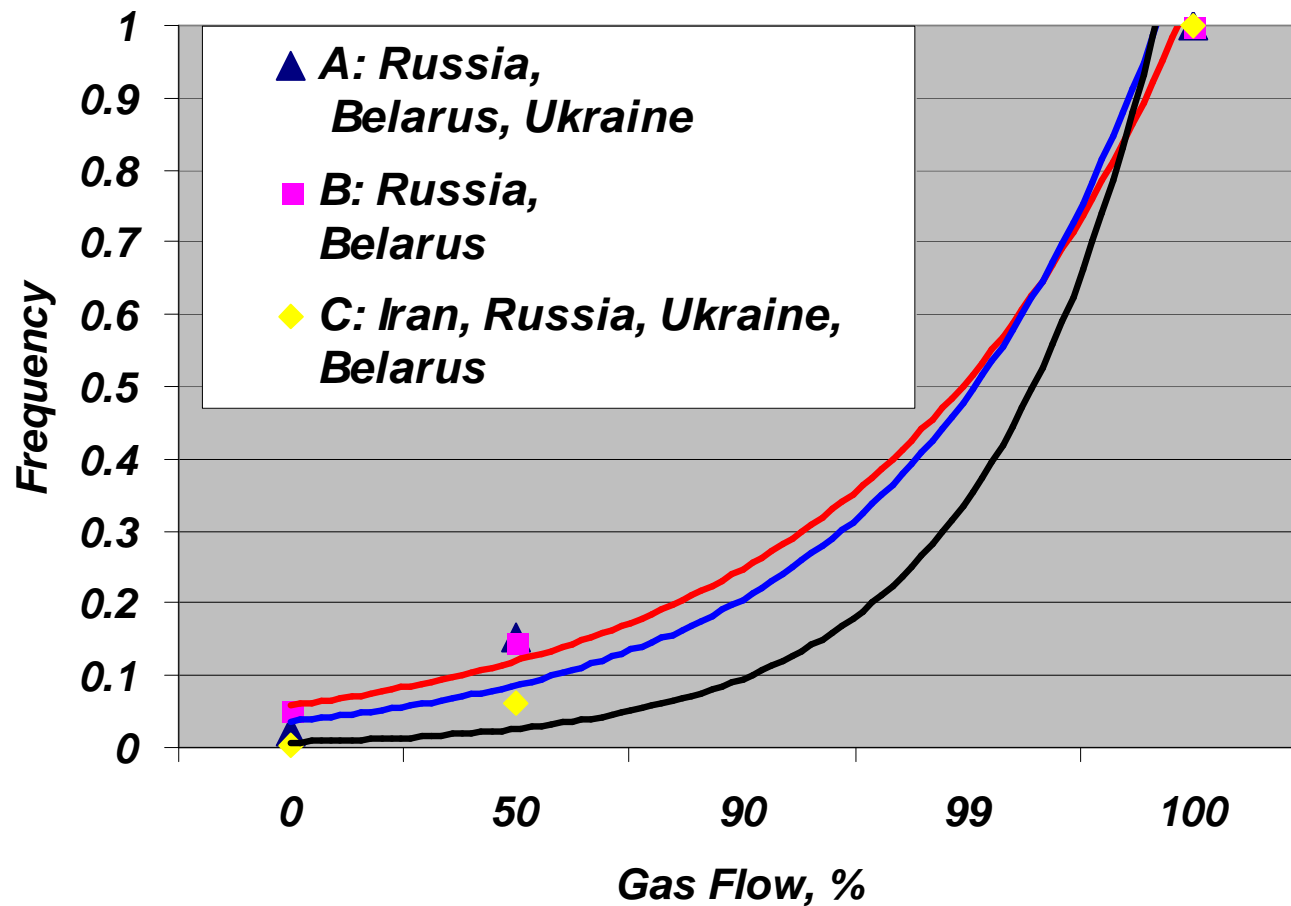


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Frequency per year with Which Stated Gas Flow or Less is Forecast to Occur, to Europe from Russia or Iran, For Three Different Pipeline Networks. Forecast from Lloyd's Business Risk Data-Bases



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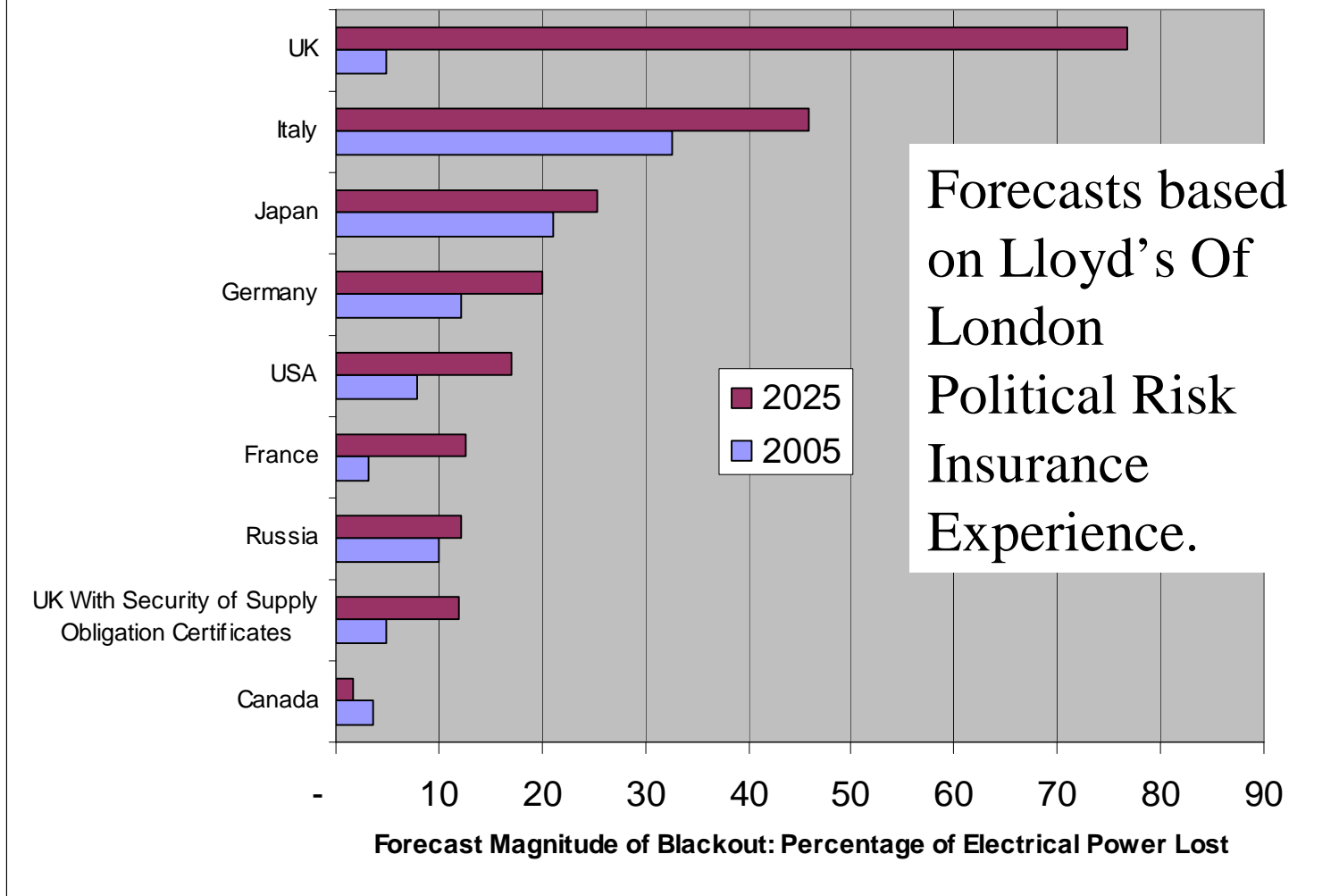
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Our Supplies of Electricity Will become Unreliable.

- Because natural gas is cheap, private companies prefer to use gas as the fuel from which to generate the UK's electricity.
- By 2020 so much of the UK's electricity will be generated from cheap imported gas that the risk of another "Three Day Week" will be higher in the UK than in any of the other G8 Countries.

Blackouts, Lasting More than a Day, Forecast to Occur with 2 to 5% Probability in 2005 and 2025



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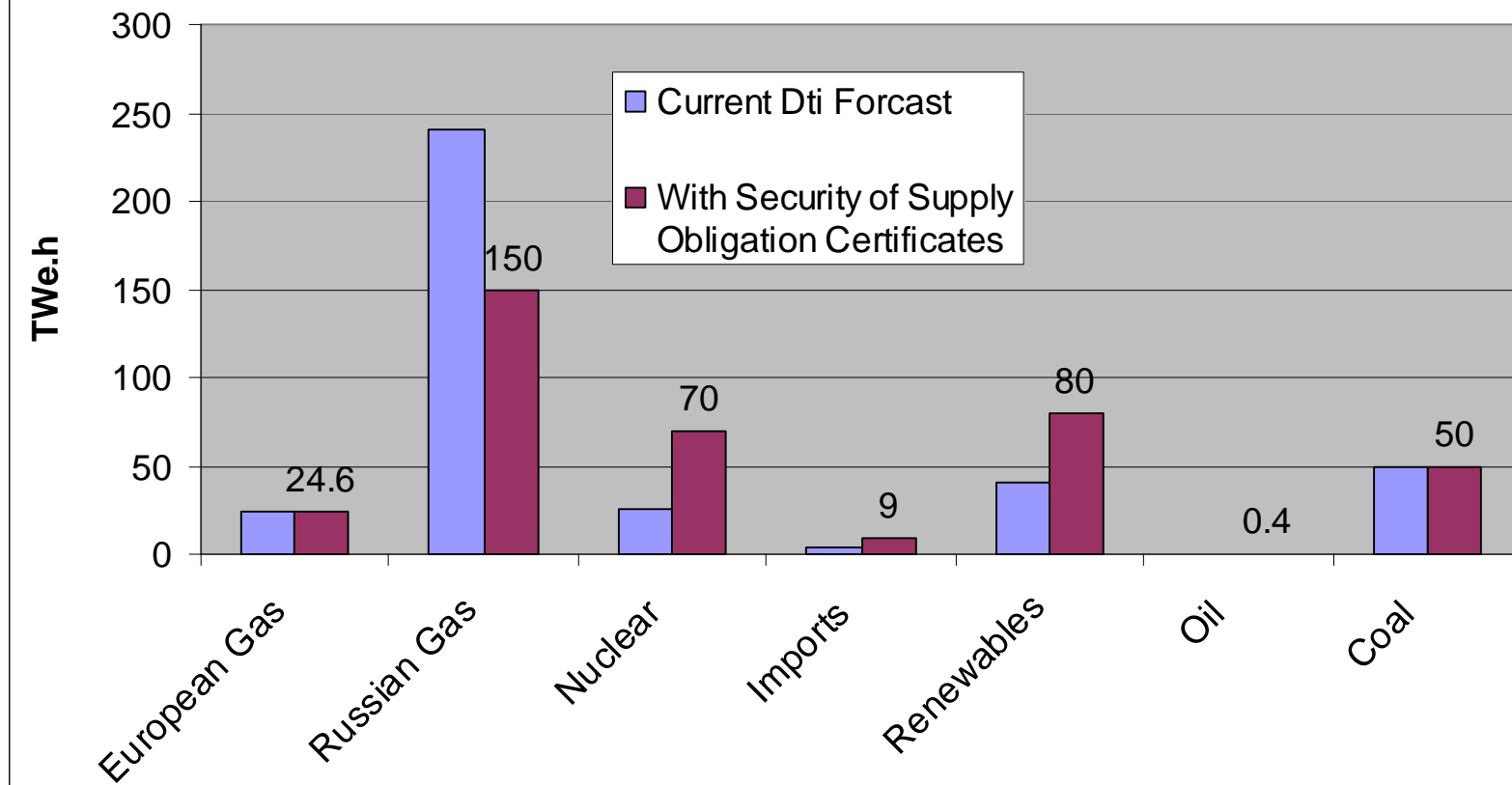
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Ensuring the Security of our Electricity Supplies.

- Clearly we must be able to rely on secure supplies of electricity.
- Forecasts based on Lloyd's experience show that the Market is unlikely to deliver secure supplies of electricity because imported gas will be by far the cheapest source of electricity and gas imports, whether by pipeline or as LNG, will be unreliable.
- The problem is entirely analogous to that of Global Warming, where Governments have agreed to intervene in the Energy Market so as to achieve the Kyoto targets.
- ***I recommend that the UK Government introduces a Security of Supply Obligation, analogous to the Renewables Obligation, to ensure that the UK's electricity is generated by reliable means.***

Effect of Security of Supply Obligation Certificates on Sources of UK Electricity in 2020

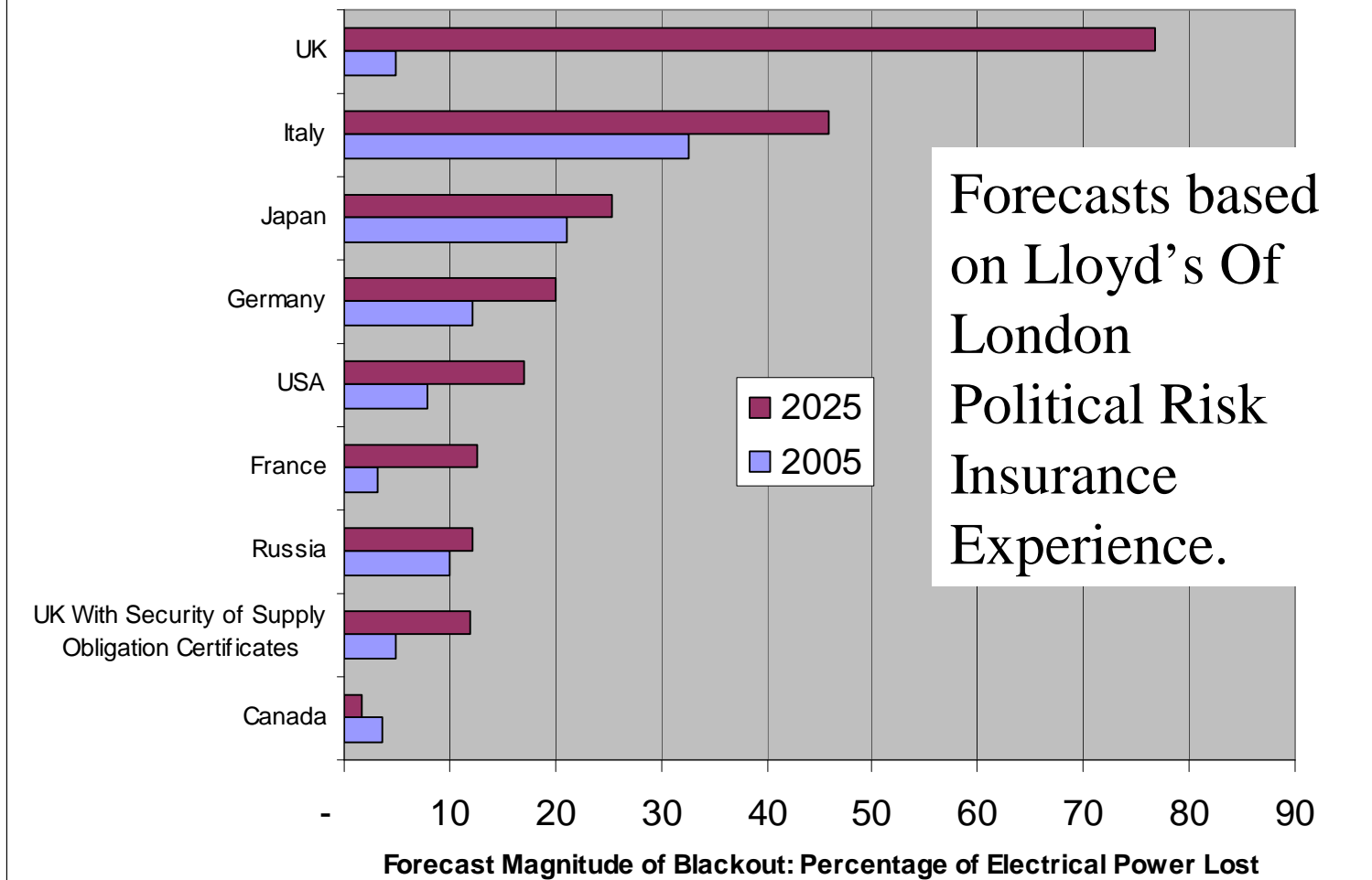


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Summarising:

- If the forecast “Dash for Gas” is allowed to proceed unchecked then, I calculate, there is an even chance that, between now and 2020, politically motivated interruptions to our gas supplies will reduce the UK, once again, to working a “Three Day Week”
- I forecast that the loss of GDP in a year when these interruptions occurred would be up to 12%
- ***We cannot allow Britain to run such a risk, it could ruin us a Trading Nation and, therefore, as a World Power***
- I recommend therefore that the Government introduces a Security of Supply Obligation, analogous to the Renewables Obligation.