

A giant European network of electricity interconnectors is solution to high energy prices, says climate change minister

Ed Davey believes a continent-wide network of underground electricity cables could slash bills

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The only way Britain can benefit from US-style low energy prices is by creating a totally integrated power market across Europe, the Energy minister Ed Davey has claimed. In an exclusive interview with *The Independent*, the Secretary of State for Energy and Climate Change said neither Labour leader Ed Miliband's pledge to freeze energy prices for two years, nor a UK fracking boom, would reduce household bills. Instead, he said there was an urgent need to build a giant network of electricity interconnectors across Europe, allowing vast amounts of energy to be moved between countries, driving down prices.

"Literally in the last three or four years, there has been a complete change in the differential between the North American price for gas and energy and the EU price for gas and energy," he said. "That represents a strategic change in the terms of trade and is very significant. The EU needs to respond to this very quickly."

He called on the EU to do much more to fast-track plans for a continent-wide energy network, saying British and European manufacturers risked being left behind by US rivals which were exploiting cheap energy from its shale gas boom to improve productivity. US gas prices are a third of Europe's, while its electricity costs are less than half. This threatens Britain's exports, makes imports more attractive and could result in significant job losses, Mr Davey said.

"We need much better grid interconnectors around Europe to enable energy to flow across the EU. Connecting the UK with mainland Europe and different parts of the periphery of Europe with central Europe. We need Eastern and Central Europe to be better connected with Germany and France and we need the Iberian peninsula to be better connected through France," he added.

There are currently a handful of gas interconnectors linking countries within Europe and several small electricity interconnectors, linking the UK to France, the Netherlands and Ireland.

However, Mr Davey wants the network to be far more widespread and able to transport much larger volumes of energy. That would result in a significant decline in energy costs, he said, with experts predicting such a network could knock more than 10 per cent off electricity bills.

By pooling its energy in this way, the EU can bring the price down by transferring excess electricity from areas which don't require large quantities to places of high demand, while countries can better insulate themselves against the risk of the lights going out if demand soars in a particular region.

Mr Davey's comments come a week after the Government's own climate change advisory body said low US energy prices presented "a risk that investment and jobs could relocate to the US". Furthermore, the highly-respected International Energy Agency (IEA) said last month that the US shale gas revolution has put Britain at a serious competitive disadvantage.

The huge decline in US energy prices has come at the same time as the cost of gas in Europe has rocketed. This is because Asia has demanded ever larger quantities of the fuel.