We're sitting on a sea of gas and struggling to manage our grid

A tragedy in several acts, none of them funny, all of them somehow hilarious

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There is a particular kind of institutional stupidity that can only be achieved through decades of sustained effort by very clever people. It requires committees, consultancies, green papers, white papers, several changes of government, and an unshakeable faith that markets are self-correcting and strategic thinking is for people who don't understand economics.

The United Kingdom has achieved this level of stupidity in the field of energy with a thoroughness that would be impressive if it weren't so depressing. We have managed to become import-dependent on a resource we produce, export-dependent on a resource we can't refine, and ideologically opposed to the very extraction that might fund our way out of the hole. We have done this while sitting on top of one of the most significant hydrocarbon basins in the Northern Hemisphere, with some of the best engineering talent in the world, and a genuine first-mover advantage in offshore technology that we essentially gave away.

Of course when I say "we" I mean our politicians, civil servants, and regulators who appear to have no clue how to think past 4-8 year horizons. Literally no clue.

The United Kingdom exports most of the crude oil it pulls from its own seabed because our refineries can't process it. Why can't we refine it? is a reasonable question. We then import crude from Norway and the United States that our refineries *can* process. We refine it into diesel and petrol. We sell it to ourselves at a margin we didn't capture on the upstream end. And then, with the revenues that remain after this elaborate act of self-defeat, we fund an energy transition that is at minimum fifteen years away from delivering the baseload power we need now, not the baseload that we need in fifteen years.

This is not bad luck. This is not geopolitics. This is a **policy making tradition** so entrenched, so cross-party, and so professionally credentialled that nobody involved has ever had to stand in front of a Select Committee and explain why we are buying back our own oil in processed form from Belgium.

Let's walk through it. Slowly. Because otherwise you might think I'm lying to you.

Act One: The Sea We Forgot We Owned

The North Sea has been producing oil and gas since the 1970s. At its peak, UKCS (UK Continental Shelf) production made Britain genuinely energy independent which is one of those geopolitical luxuries almost no comparably sized economy ever enjoys. We had the fields, the platforms, the pipeline infrastructure, the onshore terminals at Sullom Voe and St Fergus and Bacton, and the downstream refining capacity to turn it into usable fuel. We made it work, productively, in a sea that is profoundly dangerous.

By 2024, only 7.7% of the oil used in UK refineries came from UK Continental Shelf production. In 1996, it was 50%. That incredible collapse, from half to less than one in twelve, represents one of the most complete destructions of an integrated industrial capability in modern British economic history. It happened in plain sight. It happened gradually. It happened because each individual step made sense on a spreadsheet.

The North Sea didn't run out of oil. Production has been declining — naturally, because fields mature and deplete — but there remains substantial recoverable resource. The North Sea Transition Authority estimates billions of barrels of oil equivalent still recoverable from existing and potential fields. The issue is not that the resource disappeared. The issue is that we allowed the infrastructure ecosystem around that resource the refineries, the skilled workforce, the midstream pipeline capacity, the institutional knowledge to atrophy while we were busy congratulating ourselves on our commitment to the free market. We allowed a vibrant industry to become a shadow of it's former self and almost disappear entirely.

The refineries tell the story most brutally. **In 1976, we had seventeen**. **By 2019, six. In 2025, four** — and that's after losing two in a single year.

Grangemouth went first, in April 2025. Scotland's only refinery. Over a century of crude processing, terminated. It's being converted into a fuel import and storage hub, which is a polite way of saying we've decided it's easier to receive other people's refined products than to make our own. Lindsey went in June falling to insolvency, 475 staff reduced to 75, a court freezing £150 million of assets. The government ordered an investigation into the company's management. **Nobody ordered an investigation into how the policy environment made running a UK refinery economically impossible.**

That left four:

- Fawley in Hampshire,
- Stanlow in Cheshire,
- Pembroke in Wales,
- Humber in Lincolnshire.

Total operational capacity now sits at just over a million barrels per day — down by roughly a third from the early 2010s. The UK was a net importer of petroleum products by 13 million tonnes in 2024, the second highest figure since it became a net importer in 2013.

We, the country that **literally invented offshore oil engineering** are now a Net importer of petroleum products, and, the oil is still there!

And here's the structural irony at the heart of the refinery collapse: we can't process our own crude anyway. North Sea UKCS production, Forties blend, broadly, tends toward heavier, higher-sulphur characteristics that UK refineries, tooled for lighter sweet crude, simply aren't designed to handle. So even when we were producing at volume, the crude went abroad. Norwegian Oseberg and Troll crude is lighter, sweeter, geologically different despite coming from the same sea went into our refineries instead. We pump one kind of oil out of the North Sea, ship it to refineries in Asia and elsewhere that can handle it, and simultaneously import a different kind of oil from a neighbouring country.

The market, we were told, would allocate these things efficiently. And it did. It allocated them very efficiently to the point where we have almost no domestic refining capacity, a structural diesel deficit of around 200,000 barrels per day, and diesel arriving by tanker from Saudi Arabia and the United States to fill petrol station forecourts.

Efficient. Very. Well, until it isn't but let's ignore systemic strategic risk for a bit longer yet.

Act Two: Trump Wants Us to Drill, and the Punchline Is We Can't Use It

In 2025, the Trump administration made clear that it wanted European allies, the UK prominently among them, to buy more American LNG and to maximise domestic fossil fuel production. Drill, baby, drill, applied transatlantically. The political pressure was real. The strategic logic, from Washington's perspective, was coherent: more western production reduces European dependence on Russian gas, strengthens the Atlantic alliance's energy position, and happens to benefit American export revenues.

The UK response was to nod along and quietly change nothing of substance. Because here is the problem nobody wanted to say out loud in the diplomatic exchange: **even if we dramatically ramped North Sea oil production tomorrow, we cannot refine it domestically at meaningful scale. Our four remaining refineries are tooled for crude we don't primarily produce. The incremental barrels would go to export markets. The revenue would flow through private operators, taxed at whatever rate the Treasury had most recently adjusted the Energy Profits Levy to, and the net benefit to UK energy security would be approximately zero**.

The American pressure to drill more was, in the UK context, pressure to produce more oil for other people to refine and sell back to us. A supply chain contribution, not a strategic capability. We would be the upstream end of someone else's value chain, which is precisely the position you find yourself in when you've allowed your downstream capacity to collapse over thirty years of market efficiency.

This is not Trump's fault. He doesn't know the configuration of UK refinery crude slates. His advisors don't know either, or if they did, perhaps they are trolling us? The push for allied energy production is geopolitically reasonable. It just runs face-first into the specific British achievement of having separated extraction from processing to the point where increasing one doesn't help the other.

The only hydrocarbon where more UK production genuinely helps UK energy security in the near term is gas. Gas from the North Sea enters the national transmission system via onshore terminals that still function. It displaces imports. It reduces the LNG cargoes we're buying from Qatar and Norway and the spot market. More UKCS gas production has a direct, traceable benefit to UK energy security that more UKCS oil production simply does not.

But the government's position on North Sea licensing, shaped largely by the ideological commitments of the Energy Secretary, has been to restrict new development, treating oil and gas as equivalent problems to be managed down rather than as strategically differentiated assets requiring differentiated responses.

More on that shortly.

Act Three: The Ex-Minister Who Had a Point, and the People Who Ignored Him

Let us spend a moment with the argument that was made, quite seriously, by people with actual defence portfolios, that North Sea revenues should be used to fund defence capability. Something I write about on here, like the need for 12 Missile Destroyers for the Navy amongst other things.

The logic was simple and not obviously wrong. The UK faces a NATO commitment to spend 3% of GDP on defence that it cannot currently meet without either raising taxes, cutting other spending, or finding additional revenue. The North Sea represents a time-limited revenue opportunity. The fields are depleting, the energy transition will eventually reduce demand, and the window for capturing maximum value is closing. Deploying that revenue into defence capability, things like ships, munitions, readiness, the industrial base required to sustain a credible military and addresses a real and urgent strategic gap with a resource that will otherwise be left in the ground or sold at private margin.

This argument was made with particular force by former Defence Ministers and various voices in the defence community who had grown tired of watching the Royal Navy shrink, the Army hollow out, and the strategic stockpiles that should exist for a credible NATO partner simply not exist. Their frustration was legitimate. The capability gaps are real. The funding mechanism they were pointing at extracting more from the North Sea specifically to fill those gaps was at least coherent as a short-to-medium term bridge.

What happened to this argument? It ran into two institutional walls simultaneously.

The first was Ed Miliband's Energy Security and Net Zero department, which has approached North Sea hydrocarbons with the enthusiasm of someone being asked to continue hosting a dinner party after discovering the guests are on a government watchlist. Miliband's position is broadly that new North Sea licensing is incompatible with the UK's climate commitments and sends the wrong signal on the energy transition, that's internally consistent as a climate position (although the fact he can happily spend 22bn on carbon capture with machines that generate carbon is not). Ed and his policy is a strategic catastrophe as an energy security position, and it is an active obstacle to the defence funding argument, because you cannot extract revenue from fields you won't license.

The second wall was the Treasury, which has spent the better part of a decade treating the North Sea as a revenue problem to be managed rather than an asset to be strategically deployed. The Energy Profits Levy is the windfall tax introduced when energy prices spiked and it was calibrated to extract maximum short-term revenue while simultaneously making long-term investment economics unworkable. Operators reduced investment. Fields that could have been extended weren't. The Treasury got its short-term cash and the industry got the signal that the UK was not a reliable place to deploy long-term capital. Tax the 'rich', tax industry, re-distribute the money… yeah.. not working so well is it.

The result: both the climate hawks and the Treasury accountants, from entirely different starting positions, converged on the same outcome, less production, less investment, less revenue, and no defence dividend. The ex-defence Minister's sensible observation that you could use a depleting asset to fund a strategic necessity was caught between two institutional forces that had each, in their own domain, decided the North Sea was yesterday's problem.

Act Four: What We Should Be Doing, and Why We're Doing the Opposite

Let's set out the coherent strategy. Not because anyone in government is going to implement it, but because it helps to know what good looks like when surveying the rubble.

- **Step one: maximise North Sea gas production.** Not oil — gas. The distinction matters and we've established why. Gas from UKCS fields enters the national grid directly, displaces imports, reduces exposure to spot market volatility, and provides real energy security. The pipeline infrastructure exists. The onshore terminals function. More gas is better. Extend field life, license new developments, incentivise the investment required to extract what remains before the fields cease to be economically viable. The window is perhaps fifteen years. Use it.
- **Step two: build selective LNG export capacity.** The UK has excellent LNG import infrastructure — second largest in Europe — but minimal export capability. If UKCS gas production is increased

meaningfully, the ability to export surplus to European markets at premium post-Ukraine prices generates real sovereign revenue. This requires capital investment in liquefaction capacity that doesn't currently exist at scale. It's a multi-billion pound infrastructure ask. It's worth it, because the alternative is leaving value in the ground while our European neighbours buy from Qatar.

- **Step three: ringfence the revenues in a sovereign vehicle.** This is the critical institutional innovation without which everything else collapses. Gas revenues that enter the Treasury's general account disappear into current spending by the third budget. They need to go into a statutory National Energy Transition Fund — constitutionally separated from the Treasury spending round, governed by a mandate to deploy capital into the next step. Norway built the Government Pension Fund this way. It now holds over a trillion dollars. We looked at them doing it and called it statist. We have, as a result, a legacy of flogged-off public assets and approximately nothing to show for thirty years of North Sea production beyond some improved balance of payments figures in the 1980s.

- **Step four: treat SMR deployment as a defence procurement programme.** Rolls-Royce's small modular reactor design is genuinely credible. The UK has the engineering capability, the nuclear regulatory framework, and the sites. What it doesn't have is the political architecture to build nuclear infrastructure at speed. The planning system that killed Wylfa and is slowing Hinkley to geological timescales needs to be overridden for nationally designated energy infrastructure — the same way we override it for motorways and reservoirs and occasionally decide to build a railway that costs four times its budget. SMRs need a fixed government offtake contract, a defence-procurement liability shield for cost overruns, and a target of ten units by 2038. That's aggressive. It's the only version that works.

- **Step five: use cheap baseload electricity from the 2035s onward to drive industrial onshoring.** Energy-intensive industries — steel, aluminium, chemicals, data infrastructure, advanced manufacturing — locate where power is cheap and reliable. That's not currently the UK. It will never be the UK if we remain dependent on spot market gas prices and intermittent renewables without firm baseload. Cheap nuclear electricity in the 2040s is the mechanism by which an industrial revival becomes economically plausible, rather than aspirational rhetoric on a government website.

- **Step six: fund fusion at Culham as a national IP and export technology programme.** STEP is real, the science is advancing, and the UK's position at Culham is a genuine competitive advantage. But fusion as a grid contributor before 2050 is optimistic, and treating it as a near-term energy source rather than a long-term technology export is a category error. Own the IP. License the reactor designs when they're ready. Build a fusion technology export industry. Don't bet the energy security of the 2030s on it.

This is a twenty-five year strategy. It requires sustained political will across multiple governments, institutional innovation the British state hasn't managed since 1945, and a Treasury willing to treat a national asset as a national asset rather than a line item.

Now let's look at what we're actually doing. Actually let's pause can first smash our foreheads into our desks a couple of time first because the next bit, even with less brain cells is going to sound incredibly stupid

(obviously don’t actually do that).

Act Five: The Government’s Actual Strategy

The government’s actual strategy insofar as one can be identified beneath the layers of consultation documents, net zero commitments, energy security reviews, and industrial strategy frameworks is approximately the following:

- **Restrict North Sea licensing on climate grounds**, thereby reducing the revenue base that might fund the transition.
- **Accept growing import dependency on gas from Norway, Qatar, and the LNG spot market**, while describing this as energy security progress because the imports are diversified.
- **Allow the remaining UK refineries to operate in a policy environment that makes investment economics hostile** so they are caught between carbon border adjustment mechanisms, ETS cost exposure without equivalent CCUS support, and declining demand projections that make long-term capex commitments irrational for private operators.
- **Commission reviews of the downstream oil sector**. Hold calls for evidence. Note with concern that refinery closures are occurring. Take no structural action to prevent further closures.
- **Spend substantial political capital arguing about the pace of renewable deployment** while the baseload question, what firm power replaces gas when it’s gone remains essentially unanswered beyond “interconnectors and storage and we’ll figure it out.”

The gas turbine situation is its own small comedy. Natural gas is the obvious transition fuel. It is cleaner than coal, dispatchable, compatible with existing grid infrastructure, capable of being converted to run on hydrogen blends as the network decarbonises. If you wanted to design a sensible energy transition for a country with North Sea gas resources, you’d use gas-fired generation as the firm baseload backbone while you build out renewables **and nuclear**, **then switch the turbines to hydrogen** as it becomes available.

The problem, and this is genuinely funny in the way that fiscal disasters sometimes are, is that gas turbine manufacturing capacity globally is severely constrained. The major manufacturers have order books that stretch years into the future. A country that decided today to build the gas-fired capacity needed to cover the firm power gap while nuclear is constructed would find itself queuing behind everybody else who had the same idea simultaneously. We didn’t pre-order. We didn’t secure manufacturing slots. We had a plan for wind turbines, which are also in short supply, but that’s a separate act in this particular tragedy and we assumed the dispatchable backup would materialise when required.

It is, in summary, a strategy of managed decline dressed up as managed transition, implemented by people who are not stupid but who are operating in an institutional environment that cannot think in decades, cannot ring fence assets against political pressure, and cannot make the distinction between a climate commitment and an energy security strategy.

Act Six: The Norwegian Comparison, Which Never Gets Old

Norway extracted oil and gas from the same geological province. Norway had the same offshore engineering challenges. Norway faced the same question, what do you do with a depleting finite resource that is generating enormous wealth right now?

Norway's answer: Equinor, majority state-owned. A sovereign wealth fund, the Government Pension Fund Global that now holds over $1.7 trillion and owns approximately 1.5% of all the world's listed shares. A strategic decision to treat hydrocarbons as a national intergenerational asset rather than a quarterly revenue stream. A planning and licensing regime that maximised extraction value while Norway built the public infrastructure, educational system, and diversified industrial base that would outlast the oil.

Our answer: privatisation of BP and the dismantling of any pretence of strategic state interest in the sector, followed by a tax regime that oscillated between extraction and restraint depending on the political weather, followed by a windfall tax that killed investment certainty, followed by the Energy Profits Levy which finished the job, followed by a licensing pause that signalled to the industry that the UK was no longer a reliable long-term operating environment.

Norway is now so wealthy from its oil that it can afford to be idealistic about the energy transition. It can invest in offshore wind at scale, fund green hydrogen research, and transition Equinor toward renewable energy — all while the pension fund's returns alone generate more annual income than many countries' GDP.

We are importing Norwegian crude to run our remaining refineries, importing Norwegian gas through the Langeled pipeline, and borrowing at rates that reflect a sovereign debt position built partly on the absence of exactly the kind of intergenerational fund that thirty years of North Sea revenue might have created.

The money was there. The resource was there. The engineering capability was there. What was absent was the institutional architecture to capture value at a national rather than a private level, and the political culture to make decisions in fifty-year timeframes rather than five-year electoral cycles.

We are being let down and our country destroyed by a class of short term venal mendacious self interested and aggrandizing smug politicians, civil servants and consultancy companies who do not have the interests of the nation at heart and who have the collective capability to plan projects of no more than a few years while letting

them overrun in time, and money, be delivered with lower capability or capacity or indeed fail entirely (hello HS2).

Act Seven: The Anode Coke Problem, or, The Thing That Will Annoy You Most

You will have noticed that this piece has been building toward a kind of crescendo of irony. You may feel you have reached your personal irony limit. You have not. Honestly this next bit if darkly funny.

Humber refinery, one of the four survivors, **is currently the only European facility producing the speciality anode coke that is essential for manufacturing EV batteries and electronics**. The industrial substrate of the green transition, the very thing you need to make the batteries that go in the electric vehicles that are supposed to replace the petrol cars that justify closing the refineries, is actually being produced at a UK refinery that is under economic pressure from the policy environment driving the transition that requires its products.

We are, in other words, at risk of closing the facility that makes the components required for the technology that is supposed to make the facility unnecessary. Before the technology is ready to make the facility unnecessary.

This is what happens when you don’t think in systems. When the IRGC hit some of the natural gas refineries in the gulf and closed the straits, everyone thought about oil and natural gas, but it took a while for people to realise those refineries are also one of the worlds largest source of helium needed in chip manufacturing. Everything is very interconnected, very lean, very just-in-time, until it isn’t.

When each policy domain, climate, energy, industrial strategy, fiscal operates in its own silo, optimising its own metrics, unaware that the other silos exist you run into problems like this. The green transition team didn’t ask the refinery team what they made. The refinery team didn’t tell the industrial strategy team about the anode coke. The industrial strategy team is writing a strategy document that will reference batteries and EVs without knowing that the feedstock for the former is produced at a site the fiscal environment is slowly strangling.

It’s not malice. It’s not conspiracy. It’s what institutional fragmentation looks like when it reaches its logical conclusion in a domain where the physical supply chains are long and the policy horizon is short. It’s also gross incompetence at a national level being written and implemented by expert consultants.

What Actually Needs to Happen

This piece has spent considerable wordage establishing how we got here. Let’s be precise about the exit, even if the exit remains theoretical.

- **On gas:** lift the effective moratorium on new North Sea licensing immediately. Extend field life incentives. Create a regulatory fast-track for field development that demonstrably improves UK energy security metrics, lower import dependency, more grid gas, distinct from the planning and licensing pathway for oil projects where the security argument is weaker. Invest in one or two LNG export terminals to capture European premium pricing while it persists.
- **On the revenue:** legislate a National Energy Security Fund, **not a Treasury reserve**, a statutory body with an independent mandate that receives a defined percentage of North Sea gas revenues and is constitutionally prevented from being raided for current spending. Mandate its deployment into SMR construction and nuclear supply chain development. If you must have a sunset clause, make it fifty years.
- **On SMRs:** the Rolls-Royce design needs a government commitment equivalent to a defence contract fixed price, government offtake, liability protection, expedited planning. Ten units. 2038 target. The planning system needs primary legislation to create a nationally significant energy infrastructure designation that overrides local objection for nuclear sites meeting defined safety standards. This will be unpopular. Do it anyway.
- **On refineries:** stop the passive observation of closures and conduct a genuine strategic review of which refinery capabilities constitute national infrastructure that must be maintained regardless of private economics. Specifically, Humber’s anode coke production, Fawley’s halobutyl rubber for European tyres, and the military fuel supply chains that run through domestic refining capacity. Where private economics cannot sustain a national capability, make an explicit strategic subsidy decision rather than pretending the market will solve it.
- **On fusion:** continue funding STEP at Culham. Stop treating it as a near-term grid solution. Start treating it as an IP and technology export programme. Build the commercial licensing and export framework now so that when fusion becomes viable, the UK captures the value rather than giving it away — as we gave away offshore wind engineering, as we gave away the industrial fruits of our scientific base repeatedly for fifty years.
- **On gas turbines:** accept that firm dispatchable power is a national infrastructure requirement and place orders now whether that’s gas with CCS, gas-hydrogen blend, or the storage and demand-response technologies that might substitute before the queue gets longer. The delay is already costing us. Further delay is compounding it at interest.

Epilogue: The Special Kind of Lean Stupidity

There is a management philosophy that became fashionable in the 1990s and has never entirely gone away, which holds that any resource not being used at this moment is waste, that inventory is the enemy, that just-in-time is always superior to just-in-case, and that strategic redundancy is an inefficiency to be eliminated.

This philosophy works very well in stable, predictable environments with reliable supply chains and no geopolitical risk. It works catastrophically in energy infrastructure, where the assets are measured in decades, the geopolitical environment is anything but stable, and the cost of discovering you were wrong about just-in-time is not a delayed product launch but a winter without adequate heating fuel.

The UK applied lean manufacturing philosophy to sovereign energy capability and got exactly what lean manufacturing philosophy predicts when applied to the wrong domain: a highly efficient system with no slack, no redundancy, no buffer and therefore no resilience when anything goes wrong.

What went wrong, eventually, was Russia invading Ukraine, LNG spot prices spiking to levels that imposed genuine hardship, and the realisation that the comfortable assumption of cheap reliable gas from interconnected European markets was dependent on geopolitical conditions that had ceased to exist. At that point you want the refinery you closed in 2012. You want the gas field you didn’t license in 2019. You want the storage capacity you mothballed in 2017. You want the workforce that scattered when the platform decommissioned in 2021.

You don’t have them. You have a call for evidence document, a net zero strategy, and a consultation on the future of the downstream oil sector.

The tragedy is that none of the individual decisions that produced this outcome were obviously wrong at the time. Each closure was a private commercial decision made for defensible reasons. Each policy choice was made by people who believed they were managing a sensible transition. The intellectual framework that guided them — that markets self-correct, that strategic planning is for people who don’t understand economics, that comparative advantage means you should always buy from whoever is cheapest today was mainstream, credentialled, and endorsed by people with very good degrees from very good universities working at very rich consulting companies (so they must be good).

The aggregate result is a country that sits on a sea of gas, can’t refine most of its own oil, is importing diesel from Saudi Arabia, has four refineries left where it once had seventeen, and is engaged in a sincere and worthy debate about the speed of its renewable transition while the baseload question echoes unanswered in the background like a structural problem in a house that everyone has agreed to stop noticing.

There is a coherent path out. It involves using what we have the gas, the engineering capability, the nuclear expertise at Culham and Rolls-Royce, the offshore infrastructure that still exists — to fund and build what we need: cheap, firm, sovereign electricity that makes the UK a competitive place to make things again.

That path requires thinking in decades. It requires institutions that can hold a strategic line across electoral cycles. It requires a Treasury willing to treat national assets as national assets rather than balance sheet entries.

It requires, in short, exactly the kind of thinking that the last thirty years of British energy policy has demonstrated we are structurally incapable of.

Which is, in its own way, a kind of achievement.

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*The author writes on energy, defence, and UK institutional accountability. This piece represents the author's analysis and does not constitute investment or policy advice, though at this point the bar for policy advice seems to be set **fairly** low.*