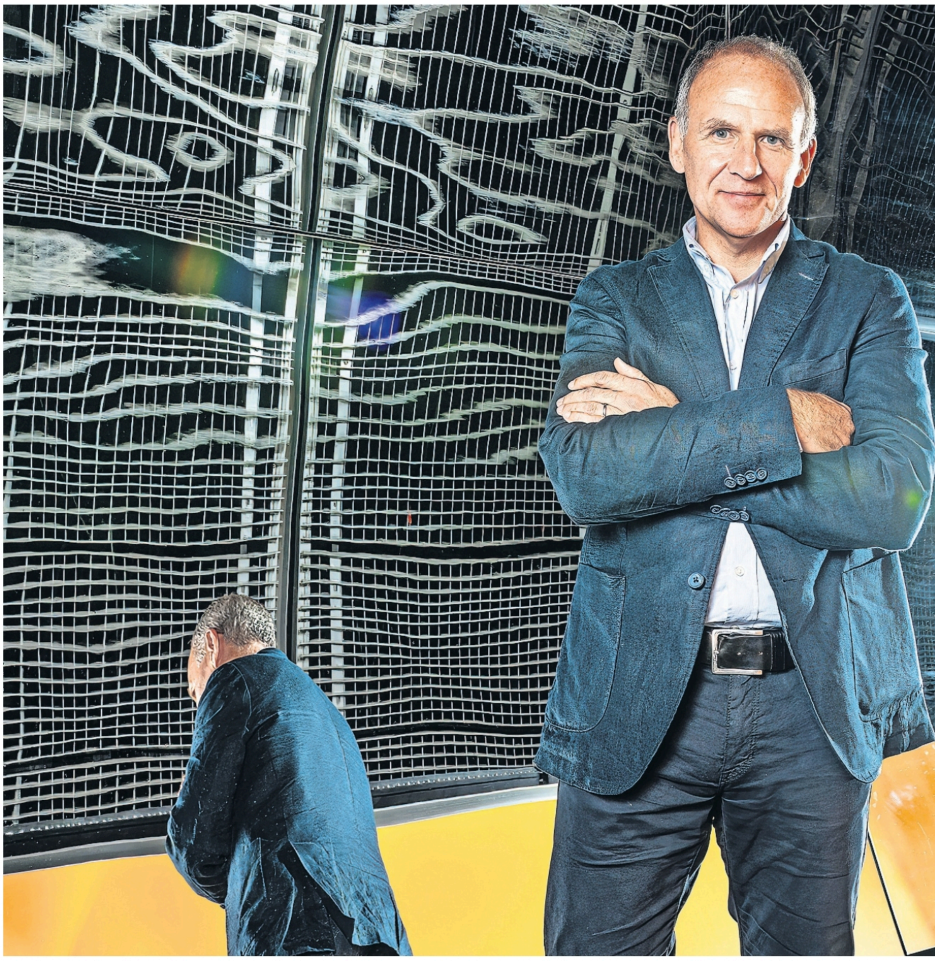
How Morocco could hold key to powering up British homes


Sir Dave Lewis at the Science Museum's energy gallery. The Xlinks scheme in Tan-Tan is forecast to cut wholesale energy

Richard Fletcher Business Editor

"Why wouldn't you?" asks Sir Dave Lewis when I ask him why he got involved in Xlinks, an audacious £22 billion scheme to bring Moroccan wind and solar power to Britain via the world's longest electricity cable.

"If you care about what happens to the planet and somebody comes and shows you a credible way — backed by an intelligent, experienced group of people — to lower the price of energy, drive the green transition and take carbon out of the system, I think the question is why wouldn't you? Not why," the former Tesco chief executive explains.

The Xlinks idea is simple: when the sun is not shining in Morocco the wind blows, which means that the company is convinced it will be able to provide the UK with reliable and cheap renewable energy 19 hours a day (with a little help from a battery plant) .

Lewis makes it sound easy: but the Xlinks project is clearly anything but. The solar and wind plant in Tan-Tan province in southwest Morocco will be built on a site the size of London. The electricity generated will be transported via four 2,360-mile cables.

As Lewis is at pains to point out, though, while the ambitious project is big, very big, all the technology involved has been tried, tested and used before. "There is no technology risk. It is just about the scale of the link between Morocco and the UK," he says.

The reward is equally large: Xlinks believes that it can produce 3.6GW, about 8 per cent of the UK's electricity demand or enough to power seven million homes, once it is fully operational.

Three years after Simon Morrish, Xlinks founder and chief executive, persuaded Lewis to become chairman of the UK start-up during long Covid-era walks in Richmond Park, southwest London, the enormous project is inching closer and closer to reality.

The Conservative government classified the development as "a project of national significance", streamlining the planning process for the project, which counts the French oil and gas group TotalEnergies, the Abu Dhabi National Energy Company and Octopus Energy among its backers.

Last month XLCC, which will manufacture the high-voltage direct current (HVDC) cables key to the project's success, secured an initial £20 million investment from the UK Infrastructure Bank to build the world's first dedicated HVDC factory in Hunterston, Ayrshire. There is an option to invest a further £67 million.

Once fully operational the factory will employ 900 people. At its centre will be the tallest building in Scotland (used to coat the wire).

HVDC cables lose only 3 per cent of energy per 1,000km but, with European supply constrained, Xlinks would have to wait at least seven years if it were to rely on existing suppliers. A number of Xlinks' existing shareholders have invested in XLCC.

The next big hurdle is agreeing a long-term inflation-linked contract, known as a contract for difference (CFD), with Ed Miliband, the energy secretary, to sell at a fixed price the energy that the scheme would produce.

In his three years as chairman of Xlinks, Lewis has seen five energy secretaries come and go and he appears enthusiastic about the new administration and the prospect of some stability. "If you think about where the new government is, and what they've said, the scheme absolutely ticks every single box: secure energy supply, lower prices and emissions. Not to mention growth, international investment and jobs. It creates an industry.

"Year one of the link being in operation, wholesale energy prices UK will come down 9.3 per cent." Securing a contract with the government, though, is the key to raising the finance needed to start the project. "Through the CFD we're asking for a commitment from the government to buy the electricity. This allows us to raise the finance at the cheapest rate possible, demonstrating to the market that this model works, not just for this project, but as a blueprint for a global grid.

"We have to deliver: the commercial risk is with us. With government commitment, it then gets 25 years of energy at that price."

Xlinks is reported to be seeking a strike price of between £70/MWh and £80/MWh. The government agreed a price of £92.50/MWh with EDF for energy produced by the Hinkley Point nuclear power station.

Lewis is equally as enthusiastic about the benefits for Morocco. The scheme, he argues, will demonstrate the potential of the country to become a significant exporter of clean energy.

As well as income from the lease on the solar and wind farm (and a tax on the energy extraction) the scheme would create 10,000 jobs during construction and employ 2,000 people once it was running.

We are chatting in the Science Museum's newly opened gallery examining the energy transition. The display includes a 1:100 scale model of the ship that XLCC plans to build to lay the cable between Morocco and Devon, as well as a giant solar trough mirror. Lewis reels off facts about both but he freely admits that back in 2021, when Morrish first approached him, he knew nothing about energy. "They said: that's great, we know loads about energy, but we have no idea how to talk to the government about this sort of stuff or build the structure of a company."

Alongside the Xlinks role Lewis has collected the typical roster of jobs for a successful former FTSE 100 chief executive: chairman of the FTSE consumer goods giant Haleon and a non-executive director of PepsiCo.

It is clear, however, that Lewis's involvement with Xlinks is not just about helping an entrepreneur to turn his audacious scheme into reality. Like his former boss at Unilever, Paul Polman, Lewis clearly feels passionately about the climate and global warming and

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Oil price rises

said in September that it expected demand to rise by 2.03 million barrels a day this year, down from growth of 2.11 million barrels previously. The IEA lowered its projection to 900,000 barrels a day for this year, from 970,000 barrels a day.

The yield on ten–year UK government bonds has risen to the highest level since July at 4.07 per cent, after the higher oil price raised concerns about inflationary pressures.

The price of gold, considered a safe haven asset, has risen by $2.86 to $2,657.86 a troy ounce, hovering just below a record price of $2,685.

The rise in the oil price has hit several London-listed airlines: shares in Wizz Air fell by 45p, or 3.7 per cent, to £12.74 at the close, while easyJet fell by 12¾p, or 2.6 per cent, to 493p.

Global gas demand on course to reach new high

Emma Powell

Global demand for natural gas is on course to reach a record next year, driven by Asia and tight supply.

In a recovery from the energy crisis, gas consumption has grown 2.8 per cent during the first three quarters of this year and is forecast to rise by more than 2.5 per cent for the full year, according to the International Energy Agency (IEA).

Demand will rise by 2.3 per cent next year to a new record, the agency predicted in its latest annual global gas security review, and Asia is expected to account for more than half the increase.

The agency expects global gas demand to peak before the end of the decade, before declining in line with the Paris Agreement to achieve net-zero emissions by 2050.

Gas supply has also been weaker this year, rising only 2 per cent, compared with an average rate of 8 per cent between 2016 and 2020.

Shipping constraints emerged earlier in the year in the Panama Canal and as a result of the Houthi rebel attacks in the Red Sea and although this did not lead to a decline in liquefied natural gas (LNG) supply, the IEA said, it had underscored the potential vulnerabilities of LNG trade.

Supply growth will accelerate, however, to 6 per cent next year, the agency predicts, as several LNG projects come on line. North America is expected to account for about 85 per cent of the extra production. Keisuke Sadamori, the IEA's director of energy markets and security, said that the growth in demand reflected a recovery from the energy crisis. "But the balance between demand and supply trends is fragile, with clear risks of future volatility," he said.

2.3%
Forecast growth in demand next year
Source: International Energy Agency

"Producers and consumers must work together closely to navigate these uncertain times while taking into account the need to advance clean energy transitions to ensure a secure and sustainable future." Despite the volatility in European gas prices easing from the highs in the immediate aftermath of the invasion of Ukraine in 2022, they remain above historic averages at about 50 per cent in terms of price variations, compared with a typical rate of 34 per cent between 2010 and 2021.

Heightened volatility in wholesale gas prices was one of the reasons for the increase in energy bills for the typical household in Britain from the start of this month, after Ofgem lifted the price cap by 10 per cent, or £12 a month, for the first time since last January.

Britain has become more reliant on imports of American LNG since the Russian invasion of Ukraine, which also has contributed to wholesale gas prices becoming more variable.

SONJA HORSMAN FOR THE TIMES

prices by 9.3 per cent in the first year

that businesses can make a difference, particularly in energy and the food system, which account for 67 per cent of emissions.

When he was chief executive, Tesco went into partnership with the conservation charity WWF to understand the environmental impact of the average shopping basket. The retailer later established a measure of that environmental impact and set a goal to halve it by 2030. After leaving Tesco, following the successful turnaround, Lewis's first appointment was as chair of the WWF. He has since persuaded almost 90 per cent of the UK grocery industry to adopt Tesco's target.

"I'm better at making stuff real. There are lots of people who can campaign about this better than I can. I prefer to roll my sleeves up and try to make a positive contribution," he explains.

Dominic O'Connell

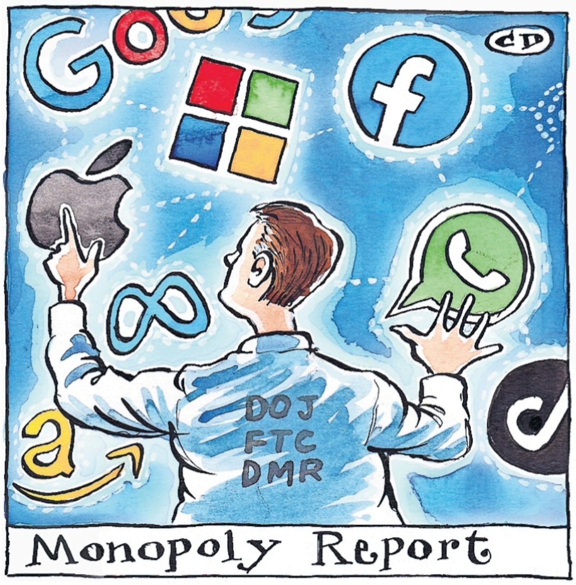
Big Tech's big fist hovers over rethink of digital regulation

Silicon Valley has had things its own way in the United States for a long time. Lawmakers by and large took a hands-off approach and permitted a few giant companies to take control of the online world. No mystery as to why; the services provided didn't obviously harm consumers, were usually free, and were either more convenient than the physical ones they replaced or completely novel. None of the normal triggers, in other words, for the authorities to get involved.

That attitude has now changed markedly. The Department of Justice has just won a big monopoly case against Google and has another in the works, and in March began a similar campaign against Apple. The Federal Trade Commission, which shares responsibility with the DoJ for competition rules and also looks after consumer protection, is going after Meta (the owner of Facebook and WhatsApp) and Amazon. There are even two modern-day Eliot Nesses to lead the charge: Lina Khan, the British-born economist who heads the FTC; and Jonathan Kanter, the assistant attorney-general at the DoJ's antitrust division.

Those hoping for courtroom dramas here might be disappointed. Britain's competition watchdog is quietly going down a radically different path, one that might avoid make-or-break showdowns with deep-pocketed tech billionaires. The Competition and Markets Authority will from next year require the largest online players to forge their own shackles. They will have to agree a set of rules on future business conduct. It is less Eliot Ness, more John Anderton, the detective played by Tom Cruise in the film *Minority Report*. Anderton, you might remember, uses advanced technology (and some rather creepy clairvoyants who live in a swimming pool in the police station basement) to stop a crime before it occurs. Precrime was the name of Anderton's department, one that the CMA might adopt if it ever considered making the new competition law sexy.

The less alluring official name is the digital markets regime. The law behind it, the Digital Markets, Competition and Consumers Bill, was given royal assent in May, but isn't



likely to come fully into effect until late this year or early next. Competition specialists have been going nuts about it — "the most significant changes to the relevant UK laws since 2013", according to the City law firm Dentons — but I haven't yet heard anyone talk about it in the pub. This is perhaps because what public interest there is in new internet laws has been consumed by the Online Safety Act, the law that gives Ofcom, the telecoms regulator, new powers to tackle online harms. Hate speech, the provocation of riots and untrammelled pornography normally attract more attention than the detail of competition law.

There are similarities between the Online Safety Act and the new competition rules. Both put the onus for good behaviour on to the industry. Companies need to show they will comply with a pre-agreed set of rules, or face the consequences. The digital markets regime gives the CMA the power to designate organisations as having "significant market status". To be considered, they have to have "substantial and entrenched market power", a position of "strategic significance", and UK turnover of £1 billion or global revenue of £25 billion. Sarah Cardell, the CMA's chief executive, told The Times Tech Summit on Tuesday that only "a handful" of companies would be designated. The European Commission, which has adopted a similar approach, has named six big players as "gateway" companies — Alphabet, Amazon, Apple, ByteDance (the owner of TikTok), Meta and Microsoft. It wouldn't be a surprise if we ended up with a similar list here.

The chosen companies will be subject to two new weapons in the CMA arsenal — conduct requirements and pro-competition interventions. A conduct requirement will set limits on what the company can do. The CMA says it will "guide the practices of [designated] firms in ways that address not only existing issues but also prevent them from taking advantage of their powerful positions in ways that would exploit consumers and businesses or undermine fair competition" — a catch-all that would in theory prevent all kinds of naughtiness.

Pro-competition interventions could be even more far-reaching. These will let the CMA step in where it perceives some underlying problem that is giving one company an unfair advantage. They will "tackle the factors that are the source of a firm's market power in a digital activity" — in other words, another broad-brush definition. The penalties for not obeying are in both cases large; if the CMA can show that a conduct requirement is not being fulfilled or a pro-competition intervention ignored, directors can be disqualified, and a company can be fined up to 10 per cent of its turnover.

The whole framework appears much more controlling than the rules for other parts of the economy. The CMA isn't going to tell a carmaker or an airline to agree in advance not to try to put a rival out of business, or not to buy a promising start-up before it becomes too much of a threat. At the summit Cardell rejected that argument, claiming the regime would avoid the more full-on interventions — with long investigations sometimes ending in court — required by the normal rules. Time will tell if she is right, but it is hard to escape the idea that regulators on both sides of the Atlantic are playing catch-up. They were slow to understand how important digital markets would become, and even slower to work out that the companies inventing the markets were also doing their utmost to make sure they would keep an iron grip. The new regime is the UK's attempt to wrestle those companies back into line.

Cardell may hope to avoid confrontation, but that could be wishful thinking. The real test will come when one or more of the tech titans decides that all this is just too constricting. Imagine if Microsoft, in reaction to one of the new missives from the CMA, tells the government it will make no new investments in Britain, and wind down what it already has here. We will then find out whether the new regulatory edifice can survive contact with the real world.

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