



House of Commons
Energy and Climate Change
Committee

**Work of the Committee
in Session 2008–09**

First Report of Session 2009–10

Report, together with formal minutes

*Ordered by the House of Commons
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The Energy and Climate Change Committee

The Energy and Climate Change Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department of Energy and Climate Change and associated public bodies.

Current membership

Mr Elliot Morley MP (*Labour, Scunthorpe*) (Chairman)
Mr David Anderson MP (*Labour, Blaydon*)
Colin Challen MP (*Labour, Morley and Rothwell*)
Nadine Dorries MP (*Conservative, Mid Bedfordshire*)
Charles Hendry MP (*Conservative, Wealden*)
Miss Julie Kirkbride MP (*Conservative, Bromsgrove*)
Anne Main MP (*Conservative, St Albans*)
Judy Mallaber MP (*Labour, Amber Valley*)
John Robertson MP (*Labour, Glasgow North West*)
Sir Robert Smith MP (*Liberal Democrats, West Aberdeenshire and Kincardine*)
Paddy Tipping MP (*Labour, Sherwood*)
Dr Desmond Turner MP (*Labour, Brighton Kemptown*)
Mr Mike Weir MP (*Scottish National Party, Angus*)
Dr Alan Whitehead MP (*Labour, Southampton Test*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/ecc.cfm. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Tom Goldsmith (Clerk), Robert Cope (Second Clerk), Farrah Bhatti (Committee Specialist), Gregory Offer (Committee Specialist), Francene Graham (Senior Committee Assistant), Jonathan Olivier Wright (Committee Assistant), Steven Everett (Committee Support Assistant), Estelita Manalo (Office Support Assistant), and Hannah Pearce (Media Officer).

Contacts

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1 Introduction

Formation of the Committee and its remit

1. The Energy and Climate Change Select Committee was established as a result of the machinery of Government changes made on 3 October 2008, which created the new Department of Energy and Climate Change. The Committee's remit, as set out in Standing Order No. 152, is to examine the policy, expenditure, and administration of the Department of Energy and Climate Change and its associated public bodies. When announcing the establishment of the Department, the Secretary of State, Edward Miliband MP, said that the Department's objective was to "bring together the Government's work on three long-term challenges that face our country" and identified those challenges as:

- 1) Ensuring that the UK has energy that is affordable, secure and sustainable;
- 2)Bringing about the transition to a low carbon Britain; and
- 3) Achieving an international agreement on climate change at Copenhagen in December 2009¹.

We have scrutinised the work of the Department in all three areas.

2. The new Committee was nominated on 19 January 2009, and has fourteen Members².
3. The annual Committee return setting out some of the key measures of our activity during the Session is annexed to this Report.

Structure and support

4. The Committee held 23 formal meetings and took oral evidence at 21 meetings during the Session.
5. The Committee agreed at its meeting on 21 January 2009 that it would seek to reduce its environmental impact and adopt electronic circulation of papers where possible. This has resulted in memoranda, transcripts and press cuttings being sent electronically to Members

¹ <http://www.decc.gov.uk/en/content/cms/about/about.aspx>

² Elliot Morley was appointed Chairman of the Committee at its first meeting on 21 January 2009, and subsequently stepped aside from his role on 20 May 2009, since when Paddy Tipping has been Acting Chairman of the Committee. Dr Alan Whitehead chaired the Committee between 1 July 2009 and 15 July 2009 during Paddy Tipping's temporary absence

and has reduced the Committee secretariat's requirement to circulate paper documents to the Committee.

6. During the Session the Committee received support from Professor Alexander Kemp, who acted as Specialist Adviser for the inquiry into UK offshore oil and gas; it has also received background briefing from the National Audit Office and the House's own Scrutiny Unit. Dr Michael O'Brien of the Parliamentary Office of Science and Technology produced a very helpful briefing note for the Committee's one-off evidence session on the proposed Severn Estuary tidal power projects. We offer our thanks to them all.

7. We would also like to express our thanks to Dr Elena Ares from the House of Commons Library for her very useful work on our inquiries; and also to Dr Gregory Offer, Intern, Imperial College London, for his contribution to the low carbon technologies in a green economy inquiry. We are grateful to the Grantham Institute for Climate Change for funding Dr Offer's internship.

Inquiries

8. This year the Committee has held three major inquiries looking at: UK offshore oil and gas; the future of Britain's electricity networks; and low carbon technologies in a green economy.

9. The Committee has also held several one-off evidence sessions, taking evidence from witnesses including the 'big six' energy companies, the Committee on Climate Change and the Department of Energy and Climate Change, the purpose of which was to scrutinise key activities of the Department which did not fall within the terms of reference of our larger-scale inquiries. Further details regarding these inquiries are given in section 2.

Table 1: Subjects covered by the Energy and Climate Change Committee, 2008–09

Subject	Evidence sessions	Outcome
One-off evidence session with the 'big six' energy companies	1	Evidence published (HC 255-i)
One-off evidence session on the work of the Department of Energy and Climate Change	1	Evidence published (HC 278-i)
One-off evidence session on the work of the Committee on Climate Change	1	Evidence published (HC 309-i)
UK offshore oil and gas	3	Report, oral and written evidence published (HC 341- volumes I & II) & Government response (HC 1010)
The future of Britain's electricity networks	6	Report in preparation
Low carbon technologies in a green economy	7	Inquiry to continue in Session 2009–10
One-off evidence session on Severn Estuary tidal power projects	1	Evidence to be published
One-off evidence session on the Department of Energy and Climate Change Annual Report and Resource Accounts	1	Evidence to be published

Visits

10. The Committee has visited locations within the United Kingdom and overseas during the Session. Visits undertaken by the Committee are detailed below in table 2. These have provided invaluable information for inquires and we are grateful to those who took the time to meet us. We would like particularly to thank the Town House in Aberdeen for the use of the council chamber; the Scottish Council for Development and Industry for hosting a breakfast briefing for us in Aberdeen; and Andrew Smith and Mads Libergen of the Foreign and Commonwealth Office, for their assistance with the Committee's visit to Berlin and Copenhagen.

11. During the visit to Aberdeen the Committee took oral evidence for the UK offshore oil and gas inquiry. This was very useful and also provided an opportunity to engage with businesses and individuals affected by the UK oil and gas industry.

Table 2: Visits by the Energy and Climate Change Committee in 2008–09

Location	Purpose of visit
Aberdeen (March 2009)	UK offshore oil and gas inquiry
Berlin and Copenhagen (June 2009)	Low carbon technologies in a green economy inquiry
Rough gas storage facility (July 2009)	Preparation for National Policy Statements inquiry

12. The Committee has also sent Members overseas in a representative capacity to gather valuable information for the Committee. The Committee has sent delegates to: Brussels twice (for a joint parliamentary meeting on a new deal for European economic recovery, and for the European Forum for Renewable Energy Sources Ninth Inter-Parliamentary Meeting on Renewable Energy and Energy Efficiency); St Petersburg (for an inter-parliamentary conference on the Nord Stream project); and Sweden (for the Economics of Climate Change and Sustainable Public Finances Conference).

2 Core tasks

13. In 2002 the Liaison Committee set common objectives – or ‘core tasks’ for Select Committees. This is our first Sessional Report, and provides an account of our work to meet the core tasks set out by the Liaison Committee³.

14. The core tasks are split into four separate objectives:

Objective A: To examine and comment on the policy of the Department

Objective B: To examine the expenditure of the Department

Objective C: To examine the administration of the Department

Objective D: to assist the House in debate and decision

The Committees work in relation to the core tasks is detailed in table 3.

³ Liaison Committee, Second Report of Session 2001-02, *Select Committees: Modernisation Proposals*, HC 962, para 16

Table 3: Work of the Committee in relation to Core tasks

Inquiries	Government and EU policy proposals	Examination of emerging policies and of deficiencies	Draft Bills	Decisions and documents from DECC	Expenditure of DECC and Associated bodies	Public Service Agreements	Work of DECC's associated public bodies	Major appointments	Implementation of legislation and major policy initiatives	Informing debates in the House	Evidence from Ministers
Energy prices in 2009 and future investment in electricity generating capacity		X		X							
The work of DECC	X	X		X	X		X	X	X		X
The work of the Committee on Climate Change		X		X	X		X		X		
UK offshore oil and gas		X		X			X			X	X
The future of Britain's electricity networks	X	X		X			X		X		X
Low carbon technologies in a green economy		X		X			X		X		X
Severn estuary tidal power projects	X	X		X							X
DECC Annual Report and Resource Accounts	X	X		X	X	X	X		X		X
National Policy Statements *	X	X		X					X		X

*The energy National Policy Statement inquiry was announced at end of Session 2008–09, and is expected to cover the core tasks indicated.

Policy

UK offshore oil and gas

15. The inquiry into UK offshore oil and gas commenced in March 2009 and scrutinised the Government's policy on domestic oil and gas in relation to: security of supply; the current fiscal and regulatory regime; the environmental impact of the industry; and a range of related matters. Table 4 shows the oral evidence programme for the inquiry.

Table 4: UK offshore oil and gas inquiry

Date	Witnesses
11 March 2009	Oil and Gas independents Association and The Royal Society for the Protection of Birds
19 March 2009	Professor Alexander Kemp, University of Aberdeen and Oil and Gas UK
25 March 2009	Mike O'Brien MP, Minister of State, Department of Energy and Climate Change

The Committee also met Subsea UK for informal discussions during its visit to Aberdeen and visited Oldmacher Academy to discuss climate change matters with pupils.

16. The Committee reported on 30 June 2009⁴ and, while agreeing with the Government's focus on security of supply, raised a number of concerns about the fiscal and regulatory regime to which the industry is subjected, especially in view of the current difficult economic conditions.

17. The Government response to the Report was published on 19 October 2009⁵, and was debated in Westminster Hall on 29 October 2009⁶. The Government welcomed the Report and undertook to talk to industry representatives and, if necessary, adapt its policy in a number of areas raised by the Committee, including in relation to: a framework of performance measures for the industry; strengthening the voluntary code by which decisions on access to infrastructure are determined; keeping the effectiveness of the field

⁴ Energy and Climate Change Committee, First Report of Session 2008–09, *UK offshore oil and gas*, HC 341

⁵ Energy and Climate Change Committee, First Special Report of Session 2008–09, *UK offshore oil and gas: Government Response to the Committee's First Report of Session 2008-09*, HC 1010

⁶ Official Report, 29 October 2009, Col 143 WH

allowance under review; the industry's case for incentives for investment in existing fields; the tax treatment of the West of Shetland area; and the tax regime for decommissioning.

The future of Britain's electricity networks

18. The future of Britain's electricity networks inquiry was launched in March 2009. The inquiry covered a range of issues, including consideration of what a vision for Britain's electricity networks might look like within a low carbon economy; and the potential for the development of a smart grid. The Committee also looked at investment in, and access to, the transmission network, and the issues surrounding expansion of the grid offshore. Finally, it has considered the role of skills in delivering future networks. Table 5 shows the oral evidence programme for the inquiry.

Table 5 : The future of Britain's electricity networks inquiry

Date	Witnesses
1 April 2009	Dr Michael Pollitt, Judge Business School, University of Cambridge, Professor Goran Strbac, Imperial College London, Dr Jim Watson, Sussex Energy Group
22 April 2009	National Grid, Scottish and Southern Energy, Scottish Power; Energy and Utility Skills
29 April 2009	Renewable Energy Association, Scottish Renewables, British Wind Energy Association; Association of Electricity Producers
6 May 2009	Energy Networks Association; Institution of Engineering and Technology
20 May 2009	Ofgem
17 June 2009	Lord Hunt of Kings Heath, Minister of State, DECC

19. The Committee's Report on the future of Britain's electricity networks will be published in Session 2009–10.

Low carbon technologies in a green economy

20. The inquiry into low carbon technologies in a green economy was announced on 2 April 2009. The inquiry is considering the Government's policies in relation to tackling climate change by reducing carbon emissions. The Committee has held seven evidence sessions and has concentrated on the areas of energy generation technologies, energy use

technologies, energy efficiency measures, economic stimulus and job creation. Table 6 shows the oral evidence programme for the inquiry.

Table 6: Low carbon technology in a green economy inquiry

Date	Witnesses
10 June 2009	New Economics Foundation; Greenpeace UK
1 July 2009	Environmental Industries Commission; British Wind Energy Association, and Renewable Energy Association
8 July 2009	The Carbon Trust, and Energy Saving Trust; Energy Technologies Institute
15 July 2009	Energy & Utility Skills
21 October 2009	Professor Julia King, Aston University, Low Carbon Vehicle Partnership, and Stuart Hillmansen, University of Birmingham; UK Chamber of Shipping, and Sustainable Aviation
4 November 2009	Desertec, UK PV Manufacturers' Association and Solar Trade Association; Carbon Capture and Storage Association, and Professor Jon Gibbins, Imperial College London
11 November 2009	Sustainable Development Commission; British Electrotechnical and Allied Manufacturers Association

21. The Committee's Report on low carbon technologies in a green economy will be published in Session 2009–10.

Spending plans and performance

22. The Committee held a one-off evidence session with the Secretary of State and senior officials on 28 October 2009 to scrutinise the Department of Energy and Climate Change's Annual Report and Resource Accounts for 2009. The session considered how DECC was using resources to achieve departmental objectives and its Public Service Agreement (PSA) 27 – to 'Lead the global effort to avoid dangerous climate change'. DECC's Main Estimate Memorandum is appended to this Report.

Administration

23. A one-off evidence session was held with the Secretary of State and senior officials from DECC on 25 February 2009 which looked at the establishment of the new Department, and the Department's policies in respect of security of supply, renewables, carbon budgets, and international negotiations. The session provided a useful opportunity to assess the

Secretary of State's priorities for his new Department and to establish a point of reference for future scrutiny of the Department.

Emerging policies and deficiencies

24. The core task of identifying and examining areas of emerging policy has been accomplished by one-off evidence session or inquires into: Severn Estuary tidal power projects, examining the Government's proposal for the Severn Estuary; low carbon technologies in a green economy, which has considered the *Low Carbon Transition Plan*; and the future of Britain's electricity networks which has examined the development of a smart grid.

Associated Public Bodies

25. The Committee held a one-off evidence session with the Committee on Climate Change – one of DECC's associated public bodies - on 4 March 2009. The session covered the Committee's remit in respect of climate change science, carbon budgets and targets, aviation, carbon credits, and fuel poverty.

Informing debates in the House

26. The Government Response to our first Report on UK offshore oil and gas was debated in Westminster Hall on 29 October 2009. This debate was welcomed by the Committee and provided it with an opportunity to question the Minister and seek commitments on how the Government would take forward the issues raised in the Report.

Petitions

27. In accordance with the resolution of the House of 25 October 2007, that committees should note petitions presented to the House within their remits, the Committee considered a petition relating to the effect of wind farm transpiration in Mid Wales on 14 October 2009.

Conclusion

28. As a Committee we have enjoyed the challenge of scrutinising the work of the new Department, which faces the daunting task of seeking to maintain secure, affordable energy, whilst reducing harmful carbon emissions. In our first nine months of existence, we have examined a wide range of issues across the gamut of the Department's work. Looking forward, we face the challenge of providing effective scrutiny of the Government's proposals for energy National Policy Statements over the forthcoming months. The Government hopes these statements will play a key part in helping to bring forward much needed new investment in large-scale energy infrastructure. Our scrutiny is a key part of the Parliamentary consideration of these statements and will form the major part of our work up until the next election. Beyond that election, we hope that our successor Committee will continue to pursue some of the matters we have raised and to hold Government to account in this vital area of its activities.

Annex: Sessional Return

Energy and Climate Change

For website access click on www.parliament.uk/ecc.cfm

The Committee was nominated by the House of Commons on 19 January 2009.

Members	Meetings attended
Morley, Elliot (Chairman from 21.1.09)	12 out of 23
Anderson, Mr David	17 out of 23
Challen, Colin	15 out of 23
Dorries, Mrs Nadine	6 out of 23
Hendry, Charles	16 out of 23
Kirkbride, Miss Julie	8 out of 23
Main, Anne	12 out of 23
Mallaber, Judy	18 out of 23
Robertson, John	13 out of 23
Smith, Sir Robert	22 out of 23
Tipping, Paddy	19 out of 23
Turner, Dr Desmond	18 out of 23
Weir, Mr Mike	21 out of 23
Whitehead, Dr Alan	22 out of 23
Overall Attendance:	68.0 %

Total number of meetings:	23
Of which:	
Number of meetings at which oral evidence was taken	21
Number of times oral evidence was taken partly or wholly in private	0
Number of wholly private meetings	2
Number of concurrent meetings with other committees	0

Other activities

Informal meetings	0
Conferences/Seminars hosted	0

Staff

Details of the permanent staff of the Committee during the Session can be found in the Committee's publications.

Specialist Advisers during the Session

Professor Alexander Kemp.

Witnesses

Oral evidence was given during the Session by the following categories of witnesses:

Number of appearances by:	
Cabinet Ministers	2
Ministers other than Cabinet Ministers	3
Members of the House of Lords	2
Number of appearances by officials from or representatives of public bodies and non-Ministerial departments comprising:	
Committee on Climate Change	1
Office of Gas and Electricity Markets	1
Appearances by other witnesses	45

Overseas Visits

Date	Destination	Members	Staff	Purpose	Cost
30-31.3.09	St Petersburg ^A	Hendry	0	Inter-Parliamentary conference on the Nord Stream project	£2,203.40
23-26.6.09	Berlin & Copenhagen	Mallaber, Smith, Tipping, Weir	2	Information gathering for Low carbon technologies in a green economy inquiry	£12,321.08
7.9.09	Stockholm ^A	Whitehead	1	Attendance at conference on the economics of climate change and sustainable public finances	£1,900.15

^A Travel in a representative capacity

Visits to European Institutions

Date	Destination	Members	Staff	Purpose	Cost
16-17.2.09	Brussels ^A	Whitehead	0	Joint-Parliamentary meeting on a new deal for European economic recovery	£457.86

^A Travel in a representative capacity

UK Visits

Date	Destination	Members	Staff	Purpose	Cost
19.3.09	Aberdeen	Morley, Anderson, Mallaber, Smith, Weir	4 ^A	Information gathering for UK offshore oil and gas inquiry, including formal oral evidence	£3,468.20
10.7.09	Rough	Challen, Smith, Weir, Whitehead	2	Fact finding at Centrica Gas Storage Facility in Rough	£2,046.30
14.7.09	Wokingham ^B	Weir	1	Fact finding at National Grid Control Centre	£52.00

^A Includes 1 shorthand writer

^B Travel in a representative capacity

Reports and Oral and Written Evidence

Title	HC No. (2008–09)	Date of publication	Government reply
First Report: <i>UK offshore oil and gas</i>	341-I	30.6.09	Received 19.10.09: published as First Special Report Session 2008–09
Oral and Written Evidence: <i>UK offshore oil and gas</i>	341-II	30.6.09	Not applicable
First Special Report: <i>UK offshore oil and gas: Government Response to the Committee's First Report of Session 2008–09</i>	1010-I	19.10.09	Not applicable
Oral and Written Evidence: <i>Energy prices in 2009 and future investment in electricity generating capacity</i>	255-i	6.11.09	Not applicable
Oral Evidence: <i>The Work of the Department of Energy and Climate Change</i>	278-i	6.11.09	Not applicable
Oral Evidence: <i>The Work of the Committee on Climate Change</i>	309-i	6.11.09	Not applicable
Oral Evidence published on the Internet: <i>Future of Britain's Electricity Networks</i>	388-i	14.4.09	Not applicable
Oral Evidence published on the Internet: <i>Future of Britain's Electricity Networks</i>	388-ii	27.4.09	Not applicable

Title	HC No. (2008–09)	Date of publication	Government reply
Oral Evidence published on the Internet: <i>Future of Britain's Electricity Networks</i>	388-iii	6.5.09	Not applicable
Oral Evidence published on the Internet: <i>Future of Britain's Electricity Networks</i>	388-iv	11.5.09	Not applicable
Oral Evidence published on the Internet: <i>Future of Britain's Electricity Networks</i>	388-v	27.5.09	Not applicable
Oral Evidence published on the Internet: <i>Future of Britain's Electricity Networks</i>	388-vi	12.11.09	Not applicable
Oral Evidence published on the Internet: <i>Low carbon technologies in a green economy</i>	648-i	12.11.09	Not applicable
Oral Evidence published on the Internet: <i>Low carbon technologies in a green economy</i>	648-ii	12.11.09	Not applicable
Oral Evidence published on the Internet: <i>Low carbon technologies in a green economy</i>	648-iii	12.11.09	Not applicable
Oral Evidence published on the Internet: <i>Low carbon technologies in a green economy</i>	648-iv	12.11.09	Not applicable
Oral Evidence published on the Internet: <i>Severn Estuary Tidal Power Projects</i>	1011-i	3.11.09	Not applicable
Uncorrected Oral Evidence published on the Internet: <i>Low carbon technologies in a green economy</i>	648-v	27.10.09	Not applicable
Uncorrected Oral Evidence published on the Internet: <i>Low carbon technologies in a green economy</i>	648-vi	10.11.09	Not applicable
Uncorrected Oral Evidence published on the Internet: <i>Low carbon technologies in a green economy</i>	648-vii	12.11.09	Not applicable
Uncorrected Oral Evidence published on the Internet: <i>DECC Annual Report and Resource Accounts</i>	1073-i	12.11.09	Not applicable
The future of Britain's electricity networks: <i>Written evidence on the internet</i>		25.3.09	Not applicable
The future of Britain's electricity networks: <i>Written evidence on the internet</i>		1.4.09	Not applicable

Title	HC No. (2008–09)	Date of publication	Government reply
The future of Britain's electricity networks: <i>Written evidence on the internet</i>		22.4.09	Not applicable
The future of Britain's electricity networks: <i>Written evidence on the internet</i>		29.4.09	Not applicable
The future of Britain' electricity networks: <i>Written evidence on the internet</i>		10.6.09	Not applicable
Low carbon technologies in a green economy: <i>Written evidence on the internet</i>		10.6.09	Not applicable
The future of Britain's electricity networks: <i>Written evidence on the internet</i>		17.6.09	Not applicable
Low carbon technologies in a green economy: <i>Written evidence on the internet</i>		17.6.09	Not applicable
Low carbon technologies in a green economy: <i>Written evidence on the internet</i>		8.7.09	Not applicable
The future of Britain's electricity networks: <i>Written evidence on the internet</i>		15.7.09	Not applicable
Low carbon technologies in a green economy: <i>Written evidence on the internet</i>		15.7.09	Not applicable
Low carbon technologies in a green economy: <i>Written evidence on the internet</i>		14.10.09	Not applicable
Low carbon technologies in a green economy: <i>Written evidence on the internet</i>		21.10.09	Not applicable
Low carbon technologies in green economy: <i>Written evidence on the internet</i>		28.10.09	Not applicable

Government replies to Reports for Session 2007–08

None.

Formal Minutes

The Formal Minutes of the Committee were published electronically after each meeting of the Committee. They are available on the Committee's website at <http://www.parliament.uk/ecc.cfm>.

Divisions

None.

Debates

Committee reports were debated on one occasion in Westminster Hall. Further details can be found in the Committee's Sessional Report.

Number of oral evidence sessions for each inquiry during the Session

Inquiry	Number of oral evidence sessions
DECC Annual Report and Resource Accounts	1
Energy prices in 2009 and future investment in electricity generating capacity	1
Low carbon technologies in a green economy	7
Severn Estuary tidal power projects	1
The future of Britain's Electricity Networks	6
UK offshore oil and gas	3
Work of the Committee on Climate Change	1
Work of the Department of Energy and Climate Change	1
Total	21

Appendix: Main Estimate 2009–10

Department of Energy and Climate Change

Introduction

1. The formation of the Department of Energy and Climate Change (DECC) was announced by the Prime Minister on 3rd October 2008. This brought together policy responsibility for energy, from the Department for Business, Enterprise and Regulatory Reform (BERR), and most of the climate change policy, from the Department for Environment, Food and Rural Affairs (Defra). A New Estimate was voted in February 2009 for 2008–09.

2. The purpose of this Memorandum is to provide the Select Committee with an explanation of how the resources and cash sought in the Main Estimate for 2009–10 will be applied to achieve Departmental Strategic Objectives and Public Service Agreement (PSA) targets. An explanation of key terms used in the Memorandum is provided at Annex A.

Ambit and Structure of the Estimate

3. DECC's Ambit and structure remain as shown in the New Estimate published in February 2009 with one Request for Resources (RfR1): "Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low-carbon UK; securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly." The Main Estimate introduces two new Estimate lines in Part II showing non budget expenditure against "Supporting affordable, secure and sustainable energy" and "Bringing about a low-carbon UK".

Summary of the main spending control figures in the Estimate

Voted Provision

The Main Estimate provides for:

- Net Resource Requirement of £2,878,823,000 (£2,809,371,000 for 2008–09)
- Voted Capital of £121,600,000 (£1,944,000 for 2008–09)
- Net Cash Requirement of £3,226,606,000 (£3,077,510,000 for 2008–09)

The Net Resource Requirement has increased by £69,452,000 (2.5%) because of the following increases and decreases to Estimate lines compared with 2008–09:

Detail Line shown in Part II of the Estimate	Increase / (decrease) compared to 2008–09 (£000)	Explanation of change
A – Supporting affordable, secure and sustainable energy (DEL)	2,495 3%	Various immaterial changes.
B – Managing historic energy liabilities effectively and responsibly (DEL)	95,905 7%	Concessionary fuel reduces by £92m as the earlier year included the £104m provision increase (non-cash). Appropriations in Aid reduce by £187m because of reduced forecasts for NDA commercial income.
C – Bringing about a low carbon UK (DEL)	160,766 25%	The national element of the Environmental Transformation Fund increases by £187m as a result of previously planned increases and £135m of new funding announced in Budget 2009.
D – Developing an international agreement on climate change (DEL)	(16,408)	Improvements in classifications between lines C, D and E compared to last year's New Estimate analysis inherited from BERR and Defra.
E – Promoting low carbon technologies in developing countries (DEL)	56,200 100%	The international element of funding for the Environmental Transformation fund increases by £50m. Plus improvements in classifications between lines C, D and E compared to last year's New Estimate analysis inherited from BERR and Defra.

F – Professional support and infrastructure (DEL)	(4,808) 5%	Admin reduces as a result of efficiency savings required of all departments under the CSR07 settlement, the establishment in 2008 of a new Non-Departmental Public Body (the Committee on Climate Change) resulting in a transfer of costs out of Administration and allowing for the impact of annual salary increases.
G - Managing historic energy liabilities effectively and responsibly (AME)	(93,673) 46%	Coal health liabilities and coal privatisation provisions (non-cash) were increased in 2008–09 but no similar increase is expected for 2009–10.
H – Supporting affordable, secure and sustainable energy (Non-Budget)	1	This is a new estimate line to account for return of overpayments on petroleum exploration licence rental. It has to have a net balance to be part of the Vote.
I – Managing historic energy liabilities effectively and responsibly (Non-Budget)	(134,583) 5%	Grant in aid to NDA reduces largely as a result of reduced forecasts for commercial income. Because NDA’s commercial income is treated as voted DEL under Treasury rules, the NDA non-Budget grant-in-aid is the sum of the actual net cashflow support required plus the commercial income. As NDA’s commercial income is expected to be £187m lower in 2009–10, this also reduces the grant-in-aid. NDA’s commercial income is expected to fall because of lower electricity generating income plus specific commercial deals not being repeated.
J – Bringing about a low carbon UK (Non-budget)	3,557	This is a new estimate line to account for grant in aid to the Committee on Climate Change NDPB, which was formed on 1 December 2008.
TOTAL	69,452	

Voted capital has increased by £119,656,000 as a result of new funding announced in Budget 2009 for energy efficiency loans to the public sector and small and medium sized enterprises.

The Net Cash Requirement has increased by £149,096,000 (4.8%) because of the above changes to the Net Resource Requirement and Voted Capital (excluding those specified as non-cash), and a decrease of £204,549,000 in forecasts for cash payments against the provision for Coal Health.

Budgets

The key budget figures are:

- Resource Departmental Expenditure Limit (DEL) of £1,105,163,000 (£1,089,003,000 for 2008–09), of which:
 - Near cash is £1,126,125,000 (£1,031,971,000 in 2008–09)
 - Administration budget is £93,512,000 (£98,320,000 in 2008–09)
- Capital Departmental Expenditure Limit of £2,027,305,000 (£1,708,631,000 in 2008–09)
- Resource Annually Managed Expenditure of £178,957,000 (£4,588,987,000 in 2008–09)
- Capital Annually Managed Expenditure of -£409,000,000 (-£419,000,000 in 2008–09)

Changes to the DECC Comprehensive Spending Review 2007 allocation

4. DECC received a Comprehensive Spending Review (CSR07) Settlement letter from HM Treasury which extracted the relevant parts of the BERR and Defra Settlement letters. This included the budget switches agreed with those Departments as part of the Machinery of Government changes and established the Departmental Expenditure Limit budgets for DECC for the three years to 2010–11. The changes in DEL budgets since the CSR Settlement letter are as follows:

	2009–10		2010–11	
	Resource DEL	Capital DEL	Resource DEL	Capital DEL
	£000	£000	£000	£000
CSR 07	1,095,127	1,770,705	1,152,258	1,766,654
Budget 2009 new funding	10,036	256,600	8,911	66,050
Additional efficiency savings announced in Budget 2009	0	0	(20,000)	0
TOTAL	1,105,163	2,027,305	1,141,169	1,832,704

The movements in Resource DEL due to Budget 2009 new funding are to reflect the non-cash implications of the associated capital movements.

Public Service Agreement targets

5. DECC is responsible for delivering Public Service Agreement (PSA) 27 – to “Lead the global effort to avoid dangerous climate change”, in addition to contributing to a number of other PSA targets owned by other Departments.

Impact on Public Service Agreements and Departmental Strategic Objectives

6. As part of the Spending Review process, the Department agrees its Public Service Agreement and Departmental Strategic Objectives (DSO) and the spending plans to deliver them. The total funds required to achieve those objectives for which DECC has responsibility were transferred to the Department in the CSR07 settlement letter. A full report on progress against the Department’s PSA target will be included in the Department’s 2009 Annual Report.

Departmental Strategic Objectives

7. DECC has responsibility for 3 Departmental Strategic Objectives transferred from BERR and Defra:

1. Ensure the reliable supply and efficient use of clean, safe and competitively-priced energy (from BERR)
2. Manage energy liabilities effectively and responsibly (from BERR)
3. Climate change tackled internationally and through domestic actions to reduce greenhouse gas emissions (from Defra)

Departmental Expenditure Limit

8. The table below shows planned DEL for 2008–09, 2009–10 and 2010–11:

	2008–09	2009–10	2010–11
	£000	£000	£000
Resource DEL	1,089,003	1,105,163	1,141,169
including Administration of	98,320	93,512	89,424
Of which:			
Near cash	1,031,971	1,126,125	1,172,507
Non cash	57,032	(20,962)	(31,338)
Capital DEL	1,708,631	2,027,305	1,832,704
Less depreciation*	6,977	7,091	8,665
Total DEL	2,790,657	3,125,377	2,965,208
* Depreciation, which forms part of resource DEL, is excluded from the total DEL since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.			

9. Administration has fallen by 5% in nominal terms in 2009–10 and a further 4% in 2010–11 compared to 2008–09 as a result of delivering the 5% real efficiency savings required of all departments under the CSR07 settlement, the establishment in 2008 of a new Non-Departmental Public Body (the Committee on Climate Change) resulting in a transfer of costs out of Administration, and allowing for the impact of annual salary increases.

10. Near cash resource has risen by 9% in 2009–10 compared to 2008–09 and by 4% in 2010–11 as a result of additional budget for the Nuclear Decommissioning Authority originally agreed as part of the BERR CSR07 settlement.

11. Non cash moved from £57,032,000 cost in 2008–09 to £20,962,000 credit in 2009–10 because the earlier year included the £104,400,000 increase in the cover for the Concessionary Fuel Scheme. Non cash is normally a credit as the cost of capital charge calculation includes the large provisions set out in Annex B which generate a non-cash credit.

12. Capital has risen by 19% in 2009–10 compared to 2008–09 as a result of new funding announced in Budget 2009 for low carbon technologies and loans to small businesses and the public sector for increased energy efficiency in buildings.

End Year Flexibility

13. End Year Flexibility (EYF) stock is shown in the following table:

EYF in respect of:	Near cash Resource	Capital
	£000	£000
NDA (ring fenced)	289,514	21,747
Global Threat Reduction programme (ring fenced)	3,052	
Non-ring fenced stocks	nil	36,471
Total	292,566	58,218

This does not include the outcome against budget of 2008–09 which will be shown in the Public Expenditure Out-turn White Paper normally published by Treasury in July.

Other matters of interest

Nuclear Decommissioning Authority (DSO2)

14. The largest budget transferred by BERR to DECC relates to the Nuclear Decommissioning Authority (NDA). The NDA is a non-departmental public body set up under the Energy Act 2004 to ensure that the UK's civil public nuclear legacy sites are decommissioned and cleaned up efficiently and effectively. On 1st April 2005 it took over responsibility for 19 sites formerly owned by United Kingdom Atomic Energy Authority (UKAEA) and British Nuclear Fuels Limited (BNFL). Competitions for contracts to manage the work on these sites are expected to improve decommissioning performance and drive value for money through innovation and efficiency. The NDA is also required to continue existing commercial activities until current contracts have been met and to seek to maximise the revenue from these activities in order to use this to contribute to the expenditure on decommissioning, thereby reducing the net call on the public purse. It was also given responsibility for delivering an integrated nuclear waste policy.

The NDA's budget over the CSR period is as shown in the following table:

	2008-09	2009-10	2010-11
	£000	£000	£000
Near cash DEL	1,696,539	1,575,566	1,569,078
Less near cash income	(1,343,068)	(1,155,795)	(1,066,013)
Net near cash DEL	353,471	419,771	503,065
Capital DEL	1,183,691	1,193,126	1,187,169
Total DEL	1,537,162	1,612,897	1,690,234
Non cash AME:			
Cost of capital charge	(1,645,963)	(1,838,358)	(1,959,703)
Depreciation	600,000	600,000	600,000
Movement in provisions	5,600,000	1,600,000	1,600,000
FRS26 reclassification	46,000	To be agreed	To be agreed
Total AME	4,600,037	361,642	240,297

Annually Managed Expenditure

15. The total Annually Managed Expenditure (AME) for 2009–10 is as shown in the following table:

	Near Cash	Non Cash	Total Resource	Capital
Voted	£000	£000	£000	£000
Receipts from Coal Pension surpluses		111,800	111,800	
Coal Health Liabilities		(1,518)	(1,518)	
Coal Privatisation		(690)	(690)	
Total Voted in New Estimate	NIL	109,592	109,592	NIL

Non Voted				
Receipts from Coal Pension Surpluses				(409,000)
Coal Health Liabilities	81,120	(81,120)	-	
Coal Privatisation	15,500	(15,500)	-	
Urenco dividend	(32,000)		(32,000)	
British Energy Liabilities		(260,277)	(260,277)	
NDA non cash items		361,642	361,642	
Total Non Voted	64,620	4,745	69,365	(409,000)
Total Budget	64,620	114,337	178,957	(409,000)

Provisions and Contingent Liabilities

16. The Department provides for legal or constructive obligations, which are uncertain in respect of either timing, or amount, on the basis of the best estimate of the expenditure required to settle the obligation. Details of the Department's main provisions and contingent liabilities as at 31 March 2009 will be published in the annual resource accounts in July.

Process for Preparation and Approval of the Memorandum

17. This Memorandum has been prepared in accordance with the suggested format as set out in "Guidance on Producing Estimates Memoranda" (*Supply Estimates: a guidance manual*) and has been approved by the Accounting Officer.

Explanation of key terms used in the Memorandum

Departmental Expenditure Limit (DEL)

This is spending that is within the Department's control and can therefore be planned over an extended period. It is a Treasury budgetary control that is set for three-year periods. Examples include administration costs, payments for goods and services, grant scheme payments and non-cash costs such as depreciation.

Annually Managed Expenditure (AME)

This is spending that is generally less predictable and controllable than expenditure in DEL. It is a Treasury budgetary control that is reviewed twice a year with Departments via the Supplementary Estimates.

Request for Resources (RfR)

This is the functional level at which the departmental Estimates may be split. DECC has one RfR:

RfR1: Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low-carbon UK; securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; and managing historic energy liabilities effectively and responsibly.

Departmental Unallocated Provision

Part of a Department's total DEL that is not allocated to particular spending, but held back by the Department to meet unforeseen pressures.

End Year Flexibility (EYF)

An HM Treasury mechanism which allows the Department to carry forward unspent DEL provision into later years.

Voted and Non-Voted Funds

The term Vote applies to the process by which Parliament formally approves the supply of funds to the Department via the Supply Estimate. Non-voted funds have by definition not been through that process e.g. Non Departmental Public Body resource and capital costs.

Administration Budget

A Treasury control on the resources consumed directly by departments and agencies in providing those services which are not directly associated with frontline service delivery. Includes such things as: pay, resource expenditure on accommodation, utilities and services.

Near-cash

Resource expenditure that has a related cash implication, even though the timing of the cash payment may be slightly different. For example, expenditure on gas or electricity supply is incurred as the fuel is used, though the cash payment might be made in arrears on a quarterly basis.

Non-cash

Costs where there is no cash transaction but which are included in a body's accounts to establish the true cost of all the resources consumed e.g. depreciation.

Comprehensive Spending Review (CSR)

A cross-government review of departmental aims and objectives and analysis of all spending programmes. Results in the allocation of three-year Departmental Expenditure Limit

Formal Minutes

Wednesday 2 December 2009

Members present:

Paddy Tipping, in the Chair

Colin Challen
Charles Hendry
Miss Julie Kirkbride
Judy Mallaber
John Robertson

Sir Robert Smith
Dr Desmond Turner
Mr Mike Weir
Dr Alan Whitehead

Draft Report (Work of the Committee in Session 2008–09), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 28 read and agreed to.

Annex agreed to.

A Paper was appended to the Report as Appendix 1.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

[Adjourned till Wednesday 16r December at 9.00 am

List of Reports from the Committee during the current Parliament

Session 2008–09

First Report	UK offshore oil and gas	HC 348–I and II
First Special Report	UK offshore oil and gas: Government Response to the Committee's First Report of Session 2008–09	HC 1010