

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

ENERGY BILL [*LORDS*]

First Sitting

Tuesday 7 June 2011

(Morning)

CONTENTS

Programme motion agreed to.

Written evidence (Reporting to the House) motion agreed to.

CLAUSE 1 under consideration when the Committee adjourned till this day at Four o'clock.

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The Committee consisted of the following Members:

Chairs: MR DAVID CRAUSBY, † MR EDWARD LEIGH

- | | |
|---|--|
| † Anderson, Mr David (<i>Blaydon</i>) (Lab) | † Jones, Graham (<i>Hyndburn</i>) (Lab) |
| † Barker, Gregory (<i>Minister of State, Department of Energy and Climate Change</i>) | † Lavery, Ian (<i>Wansbeck</i>) (Lab) |
| † Berger, Luciana (<i>Liverpool, Wavertree</i>) (Lab/Co-op) | † Lucas, Caroline (<i>Brighton, Pavilion</i>) (Green) |
| † Brine, Mr Steve (<i>Winchester</i>) (Con) | † Munt, Tessa (<i>Wells</i>) (LD) |
| † Freeman, George (<i>Mid Norfolk</i>) (Con) | † Perry, Claire (<i>Devizes</i>) (Con) |
| † Goldsmith, Zac (<i>Richmond Park</i>) (Con) | † Vara, Mr Shailesh (<i>North West Cambridgeshire</i>) (Con) |
| † Greatrex, Tom (<i>Rutherglen and Hamilton West</i>) (Lab/Co-op) | † Whitehead, Dr Alan (<i>Southampton, Test</i>) (Lab) |
| † Hendry, Charles (<i>Minister of State, Department of Energy and Climate Change</i>) | † Wright, Simon (<i>Norwich South</i>) (LD) |
| † Irranca-Davies, Huw (<i>Ogmore</i>) (Lab) | † Zahawi, Nadhim (<i>Stratford-on-Avon</i>) (Con) |
| † James, Margot (<i>Stourbridge</i>) (Con) | |
| | Alison Groves, <i>Committee Clerk</i> |
| | † attended the Committee |

Public Bill Committee

Tuesday 7 June 2011

(Morning)

[MR EDWARD LEIGH *in the Chair*]

Energy Bill [Lords]

10.30 am

The Chair: Welcome to the Committee, which I am sure will be very productive and good natured.

Before we begin, I have a few preliminary announcements. Hon. Members may, if they wish, remove their jackets during Committee sittings—I see that the Whip has already done so, which is the first bit of disobedience. Will all hon. Members please ensure that mobile phones, pagers and so on are turned off or switched to silent mode during Committee sittings? As a general rule, my co-Chairman and I do not intend to call starred amendments that have not been tabled with adequate notice. The required notice period in Public Bill Committees is three working days. Amendments should therefore be tabled by the rise of the House on a Monday for consideration on a Thursday and by the rise of the House on a Thursday for consideration on a Tuesday.

Not everyone is familiar with the procedure in Public Bill Committees, so it might help if I briefly explain how we will proceed. The Committee will first be asked to consider the programme motion on the amendment paper, for which debate is limited to just half an hour. We will proceed to a motion to report written evidence and then begin line-by-line consideration of the Bill. I call the Minister to move the programme motion.

The Minister of State, Department of Energy and Climate Change (Gregory Barker): I beg to move,

That—

- (1) the Committee shall (in addition to its first meeting at 10.30 am on Tuesday 7 June) meet—
 - (a) at 4.00 pm on Tuesday 7 June;
 - (b) at 9.00 am and 1.00 pm on Thursday 9 June;
 - (c) at 10.30 am and 4.00 pm on Tuesday 14 June;
 - (d) at 9.00 am and 1.00 pm on Thursday 16 June;
 - (e) at 10.30 am and 4.00 pm on Tuesday 21 June;
- (2) the proceedings shall be taken in the following order: Clauses 1 to 70; Schedule 1; Clauses 71 to 87; Schedule 2; Clauses 88 to 105; Schedule 3; Clauses 106 to 108; new Clauses; new Schedules; remaining proceedings on the Bill;
- (3) the proceedings shall (so far as not previously concluded) be brought to a conclusion at 7.00 pm on Tuesday 21 June.

Thank you, Mr Leigh. I am delighted to see you in the Chair and I look forward to serving under you. The Committee is a particularly well-informed group of parliamentarians, and I look forward to the Bill having a constructive passage.

It might be helpful if I provide the Committee with an overview of the proposals that we will discuss today and with an update of what has happened since Second

Reading. We will start with the green deal, which is the centrepiece of not only the Energy Bill, but the coalition's ambitious plan for energy efficiency. It all adds up to the largest and most ambitious home-improvement programme since the second world war. It will provide an opportunity to transform the fabric of our building stock, to drive down fuel costs and to improve homes at no up-front cost to the consumer. Consumers will benefit from homes being insulated against the weather, and wallets will be insulated against rising energy prices. The deal will also stimulate thousands of new green jobs that will be created as industry and local suppliers become involved in upgrading homes throughout the country. That leaner, greener way of operating will be the foundation of our recovery.

There are two major reasons why we need to press ahead with the Bill. First, historically, people have been unwilling to pay for major works, particularly to a property that they might soon leave. Secondly, we know that people often do not trust salesmen and installers, or simply do not know where to start. Our solution is the green deal, which is what the Committee will scrutinise and amend first.

The green deal is a simple concept for the consumer and will be underpinned by a robust legal framework. Its benefits are threefold. First, the green deal plan will enable private companies to invest up front and enable individuals to repay through the savings that they should make on their energy bills. The contract will stay with the property, so that only the person benefiting will make the repayments. Secondly, the golden rule means that the green deal charge should not exceed the expected savings. Thirdly, there is the accreditation and redress system, which is the straightforward guarantee of quality and protection that consumers need. The green deal is an innovative market mechanism, funded by private capital. The Bill also provides a legal framework of consumer protections to ensure that advice, installation and finance can be used with confidence as part of a seamless customer experience.

The Bill provides a robust framework for that new market, but we believe that, to gain the maximum take-up, it is desirable to build as much political consensus as possible around that framework. That does not mean that we can accept every amendment that has been tabled. However, we have listened very carefully and, in consultation with colleagues and stakeholders, we have endeavoured to make the Bill as robust as we can. For example, in another place, we amended the Bill to accept all the recommendations made by the Delegated Powers and Regulatory Reform Committee, which scrutinises secondary legislation, so I come to the Committee having considered and assessed many of the positive suggestions that have been made, which I hope are reflected in the Government amendments. Nevertheless, we will need to expedite the Committee stage efficiently and stick to our timetable, which will allow us to reach Royal Assent before the House rises for the summer recess.

On Second Reading, hon. Members asked for more detail on our thinking. We organised a briefing the following week, and last week we published more details on how we plan to enhance consumer protections, how we plan to underpin the green deal with a new energy company obligation, and how measures could qualify for the green deal.

Several hon. Members asked about the scale of our ambition on energy efficiency. Let me be clear: the green deal will set a new paradigm and will certainly become the biggest home improvement scheme since the second world war. It is essentially a market framework that enables consumers to choose the right improvements for their properties; it is not a bureaucratic Government programme with a one-size-fits-all mechanism. That commitment to consumer choice does not conflict with a high level of ambition. We recognise that we need additional policies alongside the green deal, as with our proposals on the private rented sector.

As I have said, we have listened and we are prepared to go further in formalising our ambitions with amendments that will put an energy efficiency aim in the Bill. Government amendments will commit the Government to reporting annually on the delivery of both the green deal and the energy company obligation. We no longer propose to repeal the Home Energy Conservation Act 1995, but to re-energise it and make it much more effective.

Alongside the passage of the Bill we have continued our engagement with industry, financial institutions and other stakeholders to get their input and ensure that the scheme works efficiently and that costs are as low as practicable. I want to put on the record my thanks to everyone who has participated in the various industry forums, finance round tables and energy company working groups. In response, we propose amendments that, first, make it clear that energy companies can treat collection of the green deal charge in the same way as in the rest of the Bill and, secondly, clarify the respective rights and obligations of energy companies and green deal providers in the collection of green deal payments.

Energy suppliers will collect the green deal charge from their relevant customers and pass it on. Following advice from the industry and others, the Government will initially give that role to electricity companies only, not gas companies. That is consistent with the arrangements for the feed-in tariff scheme and warm home discount, and we hope that it will minimise the cost to energy companies and, importantly, consumers. Electricity suppliers will need to maintain a suitable database to facilitate collection of the charge, and they will work with us to find an appropriate way to communicate savings to the consumer when those savings additionally accrue on the gas bill.

From the outset, we have sought to lead the most collaborative form of policy development where possible, and our actions bear that out. We will certainly continue that approach, and we will consult on the detailed secondary legislation later this year. In the meantime, I look forward to the Committee's scrutiny of the primary legislation before us.

The Chair: We have until 11 o'clock to discuss the programme motion. The Minister's comments have ranged rather wider than the programme motion, so members of the Committee may want to debate that briefly, remembering that we will have a clause stand part debate. Does anybody wish to debate the programme motion?

Question put and agreed to.

Resolved,

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—(*Gregory Barker.*)

The Chair: Copies of memorandums that the Committee receives will be made available in the Committee Room. We now begin our line-by-line consideration of the Bill.

Luciana Berger (Liverpool, Wavertree) (Lab/Co-op): On a point of order, Mr Leigh. On 26 April, six weeks ago today, I made a freedom of information request for submissions made, in relation to the call for evidence on the green deal, by the Energy Efficiency Partnership for Homes on behalf of the Department of Energy and Climate Change. I received an e-mail on 25 May that stated that I would receive a response on 22 June, which is the day after the Committee finishes.

The information contained in those submissions would enable Members on both sides of the Committee to make informed contributions to the debate over the course of the next five sittings. While the Department is deliberating over releasing that information, I should be grateful if either Minister would agree to share those submissions with Committee members in confidence before our next sitting, so that we can properly engage with the detail of the Bill.

Gregory Barker: I will be happy to consider the hon. Lady's request and will come back to her later today.

Clause 1

GREEN DEAL PLANS

Caroline Lucas (Brighton, Pavilion) (Green): I beg to move amendment 84, in clause 1, page 1, line 9, leave out 'energy efficiency'.

This amendment along with related amendments, differentiates between all measures that could be included in an 'energy plan', and measures which could attract Green Deal finance. The amendment seeks to ensure that householders are informed about all measures which could improve the efficiency of their property.

The Chair: With this it will be convenient to discuss the following:

Amendment 85, in clause 1, page 1, line 10, leave out 'An energy plan is' and insert 'Parts of an energy plan will comprise'.

See explanatory statement relating to amendment 84.

Amendment 86, in clause 1, page 1, line 9, at end insert—

'(2A) References to improvements to the property under an energy plan are to—

- (a) measures for improving efficiency in the use in the property of electricity, gas conveyed through pipes or any other source of energy;
- (b) measures for increasing the amount of electricity generated, or heat produced, by microgeneration (within the meaning given by section 26(1) of the Climate Change and Sustainable Energy Act 2006);
- (c) any other measures for increasing the amount of electricity generated, or heat produced, using low-emissions sources or technologies specified in section 26(2) of the Climate Change and Sustainable Energy Act 2006;
- (d) measures for reducing the consumption of such energy as is mentioned in (a);
- (e) measures installed at the property for the purpose of supplying to it any of the following types of energy—
 - (i) electricity generated by a generating station operated for the purposes of producing heat, or a cooling effect, in association with electricity where the terms "supplying" and "generating station" are read in accordance with section 64(1) of the Electricity Act 1989;

- (ii) heat produced in association with electricity or steam produced from (or air or water heated by) such heat;
- (iii) any gas or liquid subjected to a cooling effect produced in association with electricity;
- (f) measures for reducing the consumption of water; or
- (g) measures installed for the use of smart metering.’

See explanatory statement relating to amendment 84.

Amendment 87, in clause 1, page 2, line 1, leave out ‘energy efficiency’.

See explanatory statement relating to amendment 84.

Amendment 88, in clause 1, page 2, line 4, leave out ‘in relation to the plan’.

See explanatory statement relating to amendment 84.

Amendment 89, in clause 1, page 2, line 7, leave out ‘energy efficiency’.

See explanatory statement relating to amendment 84.

Amendment 90, in clause 1, page 2, line 8, leave out ‘energy’.

See explanatory statement relating to amendment 84.

Amendment 91, in clause 1, page 2, line 12, before ‘plan’, insert ‘green deal’.

See explanatory statement relating to amendment 84.

Amendment 92, in clause 1, page 2, line 20, before ‘plan’, insert ‘green deal’.

See explanatory statement relating to amendment 84.

Amendment 93, in clause 1, page 2, line 26, before ‘plan’, insert ‘green deal’.

See explanatory statement relating to amendment 84.

Amendment 94, in clause 2, page 2, line 40, leave out ‘energy efficiency improvements’ and insert ‘qualifying improvements’.

See explanatory statement relating to amendment 84.

Amendment 103, in clause 2, page 3, line 12, leave out ‘, and’ and insert ‘, or’.

This amendment and amendment 104 would make all microgeneration and low-emission heat or power measures detailed in subsections (5) and (6) eligible for the Green Deal, as well as other measures specified as such in an order made by the Secretary of State.

Amendment 104, in clause 2, page 3, line 23, leave out ‘, and’ and insert ‘, or’.

See explanatory statement relating to amendment 103.

Amendment 95, in clause 3, page 3, line 42, before ‘green deal plans’, insert ‘energy plans and’.

See explanatory statement relating to amendment 84.

Amendment 96, in clause 3, page 4, line 40, before ‘green deal plans’, insert ‘energy plans and’.

See explanatory statement relating to amendment 84.

Amendment 97, in clause 3, page 4, line 46, leave out ‘may’ and insert ‘shall’.

See explanatory statement relating to amendment 84.

Amendment 41, in clause 3, page 4, line 47, at end insert—

‘(7A) The provision made by the scheme or code in relation to green deal participants must also extend to matters in connection with energy plans that are promoted or arranged at the same time as green deal plans.’

Amendment 99, in clause 4, page 5, line 34, leave out ‘energy efficiency improvements’ and insert ‘improvements’.

See explanatory statement relating to amendment 84.

Amendment 100, in clause 34, page 22, line 37, after ‘about’, insert ‘energy plans or’.

See explanatory statement relating to amendment 84.

Caroline Lucas: Thank you, Mr Leigh, for calling me to speak to the amendments, which seek better to differentiate between an energy and a green deal plan.

As drafted, the Bill does not draw a clear enough distinction between measures that could be included in a broader energy plan, and specific measures that could attract green deal finance and might, therefore, form part of a green deal plan. Other amendments also seek to address that concern.

I recognise that the Government have published three papers seeking to clarify the functioning of the green deal and the energy company obligation, but more certainty is needed. My aim in the amendments is to ensure that when an energy plan is developed for a household as part of the consumer journey towards a green deal agreement, the plan includes all possible measures that might reduce CO₂ emissions from that home, whether or not they would fit specifically in the green deal. Once a comprehensive plan had been made, the assessor could highlight which measures could attract green deal financing because they met the golden rule. The household could then decide whether to take on the measures that did not meet the golden rule outside a green deal financing agreement.

The amendments would ensure that the energy plan included all measures that might reduce a home’s energy consumption. Those might include not only insulation and energy efficiency measures, but on-site and community generation of heat and electricity, water conservation and smart metering. A good example is water efficiency measures, because although hot water efficiency measures might meet the golden rule, cold water efficiency measures could be financed by water companies, for example, and offered as part as a holistic package. I would like to see, therefore, a comprehensive assessment for the energy plan that would highlight measures that can be installed with support from other financing streams, such as the feed-in tariff, the renewable heat incentive scheme and water company funding.

Claire Perry (Devizes) (Con): May I say what a pleasure it is to serve under your chairmanship, Mr Leigh? I completely support the hon. Lady’s ambition of including water consumption reduction measures in this envelope, but in the absence of metering, it is very difficult to generate an economic model that would support that. Does she agree, however, that this is the perfect opportunity to raise awareness of the ability to reduce water consumption in the home, and perhaps to move to a voluntary code of practice that would allow companies to market water reduction measures as part of the process?

Caroline Lucas: I am grateful for the hon. Lady’s intervention. That is exactly the kind of suggestion and advice that an assessor might be able to give when going around a home and looking at all the different measures that could be taken to reduce environmental impact. Water metering would make a good contribution. Again, however, unless a broader approach is followed, there is a risk that energy plans that are offered as the first step towards the green deal may highlight only measures that are likely to attract green deal finance. It would be wasting the opportunity fully to inform households about all measures that might reduce their energy bills and their home’s wider impact on the environment, which the hon. Member for Devizes has mentioned. The amendments intend to provide a clearer distinction in the Bill between the energy and the green deal plans. I

do not consider that the legislation clearly defines energy plans. It also does not make clear that the first step to green deal financing is made via the assessment of a broader energy plan.

10.45 am

Amendment 97 would ensure that provisions made for the green deal accreditation through the framework and code would also apply to energy plans that are not green deal plans. That is crucial, because it would ensure that those undertaking measures that fall outside the green deal, or those who choose to fund, through other means, measures that are beyond the green deal—including by topping up from their own funds—would be guaranteed the same high-quality installation and delivery that will be expected under green deal accreditation, and will have the same means of recourse if the improvement works are not delivered to the required standard.

Finally, the amendments would provide an incentive to drive higher standards and enforcement by bodies authorised under the green deal accreditation scheme. I am pleased that Government amendment 3 does what I had hoped to achieve: it enables the withdrawal of accreditation from an authorised participant in the green deal if necessary. That is an important incentive in ensuring that all authorised bodies maintain high standards. I hope that the Committee will support the amendments.

Gregory Barker: Amendment 86 and related amendments 84 and 85, 87 to 89, 91 to 94, 99, 103 and 104 would allow water efficiency and smart metering measures to be covered by the green deal framework. The aim of the green deal is to encourage the installation of energy-saving measures. While certain hot water measures that are able to save energy may well be eligible under the green deal framework, water efficiency measures are not the focus of the scheme, for the very reason that my hon. Friend the Member for Devizes gave: without effective metering of water—the minority of the country is currently metered—there simply is not an economic model there, even if the savings could be transferred from a water bill to an energy bill, which there is not the facility to do. As a result, we would struggle to incorporate water savings in the green deal mechanism as it stands. That is not to say that there is not active thinking going on in Government on how we might progress with a blue deal as more of the country becomes metered, when more people will be looking to reduce their water bill payments.

We recognise, however, the importance of the efficient use of water. There may be opportunities for green deal providers to offer water efficiency measures and other improvements that complement the green deal, at the same time as offering the standard green deal measures. Those measures would be separate from, and therefore not covered by, the green deal framework. They would therefore need to be funded through an alternative route. Green deal providers may choose to partner with water companies to help them fulfil their efficiency obligations, which will potentially help them deliver a seamless package to the customer. It will be for the market, however, to develop those opportunities at this time. There may also be opportunities for green deal participants to signpost customers to further information on water efficiency.

Measures fixed to a property for the use of smart metering, such as controls that communicate with the smart meter, are likely to be met with green deal measures eligibility criteria. The Department of Energy and Climate Change will consult on the detail of eligibility criteria in the public consultation this autumn.

I thank the hon. Member for Brighton, Pavilion, for championing the wider opportunities that the green deal brings. We hope that there will be a more holistic approach to the whole home by green deal accredited installers. I hope that she has found my explanation reassuring and will, on that basis, consider withdrawing her amendment.

Dr Alan Whitehead (Southampton, Test) (Lab): Page 4 of “What measures does the Green Deal cover?”, a document that the Minister’s Department produced, states:

“If a measure is capable of paying for its self because occupiers use less energy as result of the installation—then it can potentially qualify.”

Is that his blanket definition of a measure? Is it simply something that pays for itself because occupiers use less energy? If so, could pretty much all the measures suggested in the amendment qualify as measures under the green deal in one way or another?

Gregory Barker: In the broadest sense, the hon. Gentleman is absolutely right. However, there is an economic model that needs to be followed. Water comes under a different bill and is not a direct energy cost to the household. Given the way that bills are constructed at the moment—I think that only 30% of the country is currently metered—it would be nigh on impossible to construct a simple methodology for putting water on to the energy bill in a way that makes sense for both the construction of the bill and the efficiency payment mechanism, and to the consumer. However, there is a principle here—savings paying for energy efficiency improvement—that I think water companies will be looking at carefully. As I said, work is going on in Government with my colleagues in the Department for Environment, Food and Rural Affairs, to see whether there is potential for a blue deal; I am sure that there will be, as more of the country is covered by meters.

Huw Irranca-Davies (Ogmore) (Lab): Will the Minister get down to the real particulars? Water-efficient boilers would quite categorically fall within the green deal as envisaged. What about, for example, power showers? One of the things that we were looking at in the Department for Environment, Food and Rural Affairs before I left my post as a Minister there was the significant impact that the modern trend towards highly intensive water use and power showers has on energy efficiency. I am sure that he will say that we will look at those issues in the autumn, but is that the sort of discussion that he is having in detail with colleagues in DEFRA? Is he saying, “Well, that would fall within the green deal, but a brick in the toilet cistern would not, because that is purely water efficiency, as opposed to heat and energy efficiency”?

Gregory Barker: The hon. Gentleman is right. We will look at those issues in much more detail in the autumn. We want to ensure that we future-proof the Bill as much as possible, because we cannot anticipate

[Gregory Barker]

the speed and scale of innovation that will come down the line. We want to ensure that the Bill is permissive; that is why a lot of the detail will be in secondary legislation, which will be easier to amend than the Bill as innovation comes down the line.

To answer the hon. Gentleman's specific point, to qualify for green deal measures, there has to be an appropriate saving on the electricity or fuel bill of the dwelling to generate the savings that will pay for the intervention. I am not familiar enough with the economics of the power shower to answer his question with any certainty; we will certainly look at it in the autumn. My hunch is that that would be a water-saving measure, rather than an energy-saving one. However, we are open-minded about that, and we will look at it in more detail.

Huw Irranca-Davies: I will seem like an anorak now on power showers. May I suggest two things to the Minister? The first is that before Committee stage ends, he looks at the aspects of water efficiency that have a significant impact on fuel bills and fuel poverty, and comes back to the Committee with his ideas on them. Secondly, will he place before the Committee, either today or by the next sitting, his ideas on the efficiency measures that are being talked about that go beyond the green deal but may well fall within it? I understand what he is saying—that we will have a lot of regulation to deal with in the autumn—but it is worth the Committee at least having a good look at the provisional ideas.

Gregory Barker: Of course it would be useful for the Committee to inform itself of the scope of the innovation and the potential energy-saving measures that may be applied to the green deal. However, it is not our intention to specify under the Bill whether power showers or power jacuzzis should be within the remit of the green deal. If the hon. Gentleman is saying that the installation of measures in those cases will provide a clear energy-saving benefit, they will qualify. Hot water measures will qualify; it is just a matter of how far they can be pushed. I am not expert enough—nor should I be—to say where the threshold should lie.

Claire Perry: There is an important signalling element to bear in mind. Clearly, we do not have an economic framework that will allow us to undertake a net present value calculation for water reduction, but households will be thinking about reducing their energy consumption and greening up their home, and this is a perfect opportunity to suggest water consumption reduction measures and almost to give notice to the water companies that they should team up with the installers. Devices such as a hippo or a low-flow shower head are cheap. Many households could afford them, and it would be extremely helpful to the Committee if the Bill sent out a signal that, if people want to participate, there is a mechanism for supplying products to the consumers through the same installer channel, even if the household ends up paying.

Gregory Barker: What we are talking about is the realm of market opportunities for water companies to fulfil their energy efficiency obligations, and a precursor of what might come in the future—a blue deal. As my

hon. Friend says, the potential for water companies to work constructively with green deal providers, local authorities or operators of other green deal schemes is clear.

The Chair: Order. Will the Minister face the Committee?

Gregory Barker: I beg your pardon, Mr Leigh. We certainly aim to frame the Bill in such a way that there will be every encouragement for water companies to work in that way. We very much want a holistic approach.

Dr Whitehead: The Minister outlined the eligibility of measures for the green deal. I accept that it might well be inadvisable to have an exact definition of measures in the Bill, because that might exclude measures that have not been fully designated or designed and thus be exclusory, rather than inclusive, in the long term. However, the Department has, in general, produced helpful material to define better and underline what is in, for example, the green deal. I imagine that the documents that I have here will not just serve the purposes of scholarship in future years; they may well be referred to by people who are actively promoting the green deal once the Bill is implemented.

The definition to which I referred in a previous intervention clearly states that the ambition is extremely wide, as far as energy efficiency measures are concerned: if a measure that could be financed within the golden rule uses less energy—as a wide variety of measures could—it could potentially qualify. The word “qualify” is not qualified in the Bill under which the measure may be funded. Nor is the means by which it may be repaid. That is what the Bill states. I would have thought it important that, among other things, the further and better definitions of measures that might qualify, which the Minister could bring forward—as he was invited to do a moment ago—would include clarifying what would be a qualifying measure in relation to using less energy. Are there restrictions, as the Minister has suggested, or is there a golden rule of energy reduction, alongside the golden rule of financial saving, as a result of the implementation of green deal measures? At the very least I would have thought that an extended version of the document, to make that clear during the passage of the Bill, would be an appropriate early measure.

11 am

Gregory Barker: I think that the hon. Gentleman and I are pretty much in agreement. We will respond to his points, and make sure that the next iteration that we produce will take what he has said into account specifically. However, I think the golden rule is all-encompassing, and I cannot quite conceive how a measure that met the golden rule by creating financial savings would do so by any other way than reducing energy. They are two sides of the same coin, but if we need to spell it out I do not think it will be a problem. I will need to consider it a little more.

Amendments 97 and 41 would require that energy efficiency services provided for, or products sold by, green deal participants, in addition to those paid for through green deal finance, should also be subject to the green deal regulatory framework. I want to reassure hon. Members that we shall be able to require, through

the overall scheme and code, that customers should be made fully aware of the difference between the measures being offered that fall under the green deal scheme, with all its safeguards, and those that fall outside it. We will not accept companies using green deal accreditation as cover for less appropriate goods and services. However, we will have the power, in clause 3(7), to ensure that, where appropriate, elements of the scheme or code could be made to apply to wider energy efficiency provision.

To be clear, our intention in subsection (7) is not to introduce new wide-scale regulation of the wider energy efficiency supply market. It is likely that some of the protections afforded by the green deal accreditation framework will not be suitable for other goods and services offered by green deal participants. Similarly, many of the forms of mis-selling that will concern the Committee could already be prosecuted under existing general consumer protection legislation. Requiring a blanket compliance with green deal protections for all other measures could therefore cause unnecessary burdens for providers selling a range of goods and services. I hope that that satisfies hon. Members.

Luciana Berger: I shall respond to the amendment tabled by the hon. Member for Brighton, Pavilion, and my hon. Friend the hon. Member for Ogmire will speak to amendment 41. The hon. Lady made some important points about microgeneration and the fact that not only energy companies, but non-governmental organisations and consumers, are calling for the green deal to be linked to feed-in tariffs and the renewable heat incentive, and for energy efficiency improvements to be widened in scope. That would serve two purposes: increasing the scope of improvements to properties, and enticing people to take up the green deal.

The Secretary of State said:

“A once-and-for-all refit...will make every home in Britain ready for a low-carbon future. No more half-measures going off at half-cock.”

He made an important point.

Microgeneration has attracted a fantastic, enthusiastic response from consumers. People believe that the green deal would fund a wide range of measures. It is interesting that the most attractive measure to customers wanting to use the green deal is installing microgeneration. The figure is 56%, according to a survey carried out by E.ON. The installation of new heating systems is the next most attractive measure. There was some interest in loft and cavity wall insulation, at 26%, and solid wall insulation, at 22%. Interestingly, those numbers are lower because many customers believe that they already have such measures in place. The opportunities to engage people about making improvements to their homes are incredibly rare. The green deal should do everything to maximise its benefits by allowing other installations to be made if funding for including such measures is found by other means.

The hon. Member for Brighton, Pavilion and others made an important point about water efficiency, especially hot water. I want to reiterate some of the points. Hot water is obviously linked to energy saving, and the inclusion of water efficiency in the Bill has been called for by a number of external groups. DEFRA is due to publish a White Paper on the issue. I am glad that the Minister will think about this, and that we will see more

during the discussions and consultations to take place in the autumn. Can we work with the Minister on the issue, because we, too, think it is important? Heating water is the second biggest consumer of energy in the home, after heating space. It accounts for 5% of the UK's greenhouse gas emissions—a massive element—so we are keen for as much as possible to be done.

While the hon. Lady made some important points, and we are sympathetic to the spirit of her amendment, we believe it is too specific to be included in the introduction of the Bill. I echo that we are keen not to have to revisit and alter primary legislation. We want the provisions in the Bill to be future-proof, but the amendments are so specific that, if accepted, changes to the primary legislation would be necessary in the future, which is not currently the case.

Huw Irranca-Davies: It is a pleasure to serve under your stewardship, Mr Leigh. I echo the sentiments of the Minister about the range of experience in all parts of the Committee.

On amendment 41, I agree entirely with the Minister and with comments by other colleagues about common sense. If we have a skilled, professional individual in a house, the opportunity is clearly there to give advice above and beyond the green deal. For example, people's particular expertise might not be completely comprehensive—in electrics or water engineering and so on—but, while they are in that house, it would make absolute sense for them to say, “While I am here, rather than returning in three months or when you have the next problem, let me just say that I have just spotted this and that. You might want to deal with them as well, although it might cost a little more”—that would be above and beyond the green deal. The question for the Minister, who rightly identified it, is whether that is delivered front-facing, on a piece of primary legislation, or we revisit the matter, talking it through with Departments.

The issue is critical—dealing with the point at which the professional walks through the door of someone's property and says, “Well, we've got a very good scheme, which the Minister took through Committee. There is a lot of confidence in it, and there are some great providers out there—you can pick from two, three, four or half a dozen of them.” The professional is in the house and can say, “I will now go through a hierarchy of things that will deliver real energy efficiency and, by the way, we can also give you a bit of advice on x, y and z.”

The individuals, whether a household or small business, are not looking at a green deal provider or assessor—whatever they will be called—plus someone else, but at one person, with whom they have developed a relationship, who is saying, “I will do it myself.” On such a basis, the individuals will trust the person, from whom they are already purchasing something, in particular something with a long payback time through bills, so any other advice would be taken from such a person as part of a package.

The purpose behind amendment 41, therefore, is to give belt and braces to the consumer. The Minister made the point about some of the protections for other products, including some energy-saving products that might not feature in the green deal but are dealt with under existing legislation. In that case, what is the problem with the amendment, because it is purely belt and braces?

[Huw Irranca-Davies]

When the Minister responds, will he give concrete examples of products or services that might not need to be covered by such protections? When he raised that matter, I was struggling to think what they could be. Whether at massive or only minor expense, everything that is sold to a consumer requires some sort of protection. We are getting into the issue of fear. If we are to deliver real confidence in the scheme—not just in Committee, but on the ground—people need to know that they are protected whatever is said to them.

The purpose of amendment 41 is to avoid the mis-selling of inappropriate products, and to ensure that customers are made aware of other possible energy plans as well as green deal plans. We do not yet know the detail—I am sure the Minister will come on to that—but where will FITs, renewable heat incentives and microgeneration fit in? I suspect that when we come on to that in Committee, the Minister's thinking will have moved on, but we do not yet know. However, the consumer must be confident about any advice, whether that is within the green deal or just outside it. We must wait for the Minister to refer to that case in a later sitting, but I want such individuals to have exactly the same confidence that the protections will also be afforded to them. Alternatively, that confidence might also apply to eco-provision or matters that are not purely about energy efficiency, but about water saving. I will not mention power showers again, as I fear being labelled a right anorak—[*Interruption.*] Exactly.

We want to ensure that energy plans are arranged at the same time as the green deal assessment; it is wasteful to have someone with professional expertise in a house who disappears without the householder being able to benefit from such wider expertise. The other purpose of the amendment is to encourage such an approach, and to discourage the inappropriate mis-selling of products or services. Under the amendment, consumers would be able to decide to pay up front either to install measures that are eligible for the green deal, or to install measures that do not meet the golden rule but which would be classed as energy plans outside the green deal. Such measures should still be subject to the same guarantees and protections as those taken under the green deal.

Ideally, amendment 41 would have been grouped with our amendment 36, which we will consider later. Under amendment 36, the green deal assessor would be able to highlight measures that can improve a house's energy efficiency but do not meet the golden rule—as an energy plan rather than a green deal plan, because not everything will fall within the green deal.

On Second Reading on 10 May, the Secretary of State said:

“Under the green deal, energy-saving packages worth thousands of pounds will be installed in millions of homes and businesses right across the country. There has never been anything quite like it.”

I highlight this part of the quotation, which is what our amendment 41 goes to:

“It is the most comprehensive energy-saving plan in the world. Green deal measures will be provided by trusted businesses, installed by accredited professionals, and backed up with a watertight legal framework.”—[*Official Report*, 10 May 2011; Vol. 527, c. 1055.]

We are merely asking the Minister to make good on what was said by the Secretary of State. The Minister has said that some products and services may not

require that level of protection and that others are already covered, but the amendment would provide belt and braces for consumers by giving them the confidence that the Minister is interested in their having.

The Department of Energy and Climate Change paper “Consumer Protection in the Green Deal” states:

“The accreditation framework for energy assessment and Green Deal Advice will be underpinned by: a robust qualification and accreditation framework; more robust assessment methodologies; and effective redress routes, backed by professional indemnity cover, should anything go wrong.”

Amendment 41 very much goes to the heart of that and would be very helpful.

Finally, will measures taken as a result of a green deal assessment, but paid for up front—in advance—still have the same level of consumer protection? That is what the amendment seeks to address. We want consumers who pay up front to have the same level of protection. From the individual consumer's point of view, the installer of the product—not the green deal assessor—is the person they want to come back to with a high degree of trust and confidence.

11.15 am

We believe, as the Minister does, that the maximum benefit should accrue from an assessment by a professional coming into the house at the point of contact with the householder or business. To give full confidence, the fullest protection must also accrue through applying the same standards and protections, through the schemes or codes that apply to the green deal itself. It appears to us wholly logical and right, so I am sure that the Minister will applaud this sensible amendment and support it.

Graham Jones (Hyndburn) (Lab): It is a pleasure to serve under your chairmanship, Mr Leigh. I will be brief and restrict my comments to amendment 84. Perhaps an opportunity has been missed to address definitions in the green deal, particularly in relation to the occupier or owner of the property. Will the Minister give due consideration to the wording that refers to owner or occupier? It seems straightforward—in the private rented sector, it is the occupier, and if it is owner-occupied, it is the owner—but I want the Minister to consider the clause, because it is not just one or the other. In the Bill and the statutory instruments that follow, we need to consider tenure and things such as shared ownership. I have read the Bill and did not find any guidance notes that mention such issues. Under this clause the Minister has an opportunity to reflect on what he means.

I congratulate the hon. Member for Brighton, Pavilion on tabling the amendment to try to improve the clause. We have concerns where there is shared ownership and where the owner can be the occupier—the wording says “or”. There needs to be clarification. There are also other areas with problems in the wording around short-term leasehold and who is the owner and who is the occupier. The wording is rather loose and badly written, and something needs to be done in relation to short-term leasehold.

Furthermore, there are complex management arrangements beyond short-term leasehold. Is it the owner, the occupier or both? It must be one of them. The Minister needs to clarify such issues. He also needs

to consider length of tenure. There is no mention of duration before an owner or an occupier is entitled to the green deal. Will the Minister clarify that?

The Chair: I remind hon. Members that if they want to range more widely, there will be a clause stand part debate in which they can raise their points in an appropriate manner.

Gregory Barker: I apologise, Mr Leigh. I began replying to the hon. Member for Brighton, Pavilion and then we had further contributions, so I apologise if there was a little confusion. However, we got the key points and some sensible issues were raised. I thank members of the Committee for their contributions. I can assure them that we want “green deal max”. We want the green deal to be as transformational as possible, but there is a sensible balance to be struck. It is not self-evident where that balance should lie. On the one hand, we want absolutely robust consumer protection—we have been very clear about that. We have published a document spelling out the need for strong consumer safeguards, which have been welcomed by Which?, Consumer Focus and others. Equally, we want to ensure that we create a regime or framework that is accessible to small companies, individual traders, small and medium-sized enterprises and local firms, and not something so complex and onerous that only the big boys get to play in this market. I know that members of the Committee are concerned to get that right, and that the hon. Member for Brighton, Pavilion is equally concerned to ensure that we do not inadvertently fence out smaller participants, because their community engagement is critical. I understand the points that hon. Members have raised, and they are well based. We will be looking to pick them up in detail in secondary legislation in the autumn. We will look at what has been said today and try to include those points, where possible, in the consultation that will come as part of the secondary legislation. By doing things that way, we will be more inclusive. Framing the legislation that way will enable us to future-proof the policy.

Huw Irranca-Davies: This is an important point. I empathise wholly with what the Minister is saying about the difficulty in finding the balance between what should be in the Bill and what burdens that would create, particularly for small businesses, which we want to see take advantage of the policy. However, in so saying, he hinted that he has made some sort of assessment of the regulatory impact on small businesses from different options—I am looking to his right—for example, consumer protection. Will he confirm whether he has done that? If so, will he share it with the Committee? We would be able to make much more valid judgments on what the Minister’s good words are saying if we had the detail in front of us. Has he made the assessment?

Gregory Barker: The type of assessment the hon. Gentleman is talking about will accompany the secondary legislation. We are not attempting—even though he is—to deal with the matter at this stage of the Bill. Getting down to such a granular level of detail, to the great power shower question, is something we will do in the autumn. To use a phrase that the Prime Minister is fond of, when it comes to power showers, we are all in it together. The hon. Gentleman is getting ahead of the game.

Huw Irranca-Davies: There are so many jokes about power showers that I could use, but I will leave them alone for the moment. My intervention concerns not power showers but consumer protection. The Minister is clearly arguing that he does not want to take a belt and braces approach because of the impact that would have on smaller businesses, in particular, in taking advantage of the policy, and I understand that. However, if that is his stated aim at this moment, all I am asking for is the evidence on which he bases that decision, in order to see that it is not a gut reaction. If he says that extending consumer protection for the green deal across all elements at the point when the individual comes through the door, which I see as a simple thing, would impose too great a burden, will he give us the evidence as opposed to the words?

Gregory Barker: There is already consumer protection in place—a consumer protection regime in law that protects against mis-selling. We are trying to fashion, on top of that, an additional level of protection that relates specifically to the green deal. There has to be a cut-off point and a clear edge at which that begins and where other consumer protection laws kick in. We have to preserve that clarity. The opportunities for accredited green deal representatives, installers and providers to come in and cross-sell a whole range of products will vary from installer to installer, but they will still need to ensure that the selling is done reputably and legally. We cannot even begin to anticipate just how far some providers will seek to extend their sales proposition. That will be a matter for the market. Where appropriate, we will be consulting on secondary legislation. The regulatory impact on SMEs is important. We must ensure that we do not make it more difficult for new entrants. We do not want any unintended consequences, which is why we will properly consult on these measures later in the year, rather than just responding to an amendment in Committee. On that basis, I hope that the hon. Member for Brighton, Pavilion will withdraw her amendments.

The Chair: Before I call Caroline Lucas, may I ask Huw Irranca-Davies whether he will press his amendment to a vote. It will be helpful to know now.

Huw Irranca-Davies: No, I will not press it to a vote; I seek only the further assurance of the Minister.

Caroline Lucas: I thank hon. Members for what has been a useful debate about the scope of the green deal. I just want to re-stress that the aim of my amendments is to try to see this whole package through the lens of the householder and the consumer. When someone walks through their door, they want to know, “How can I make my home more energy efficient? What things can I do?” They do not want to know only those parts that meet the strict criteria of the green deal. Those are a sub-set.

I am still worried, despite what the Minister has said, that there is not sufficient stress on the wider energy plan, which many households may well be in the position to fund themselves or to fund from other funding sources. Currently, they only get to hear about those measures that meet stringent requirements for the green deal finance—in other words, those measures that come in under the £10,000 cap, that will be economical over

[Caroline Lucas]

the period of the green deal loan and that follow the golden rule by working on their fuel bills. That is a sub-set of everything else that needs to be done. The households would find it perverse if they did not have more information about the range of things they could do in their homes. Instead, they will only have information about those measures that happen to fit the golden rule criteria.

We can argue about water—I am glad that the Minister will look at that again and I would be interested to hear plans for a blue deal—but beyond paragraph (f) of amendment 86, my amendments go much wider than water. They would ensure that every time we discuss the green deal, we stress that it is a sub-set of a wider idea: the energy plan. In that sense, my amendments are in line with amendment 36, which has been tabled by the Labour Members sitting alongside me. For that reason, I am disappointed that they are not willing to support my amendments, because they would simply operationalise what amendment 36 would do.

Huw Irranca-Davies: The hon. Lady is right: the amendments are trying to do the same thing. I wonder whether the Minister will intervene and indicate that he will give more thought to this issue and revisit it, in line with later amendments. We are of the considered position that we want him to do that, and would want to work with him. Perhaps he wants to work with the Committee, in anticipation of future amendments.

Caroline Lucas: I found that intervention helpful. If the Minister intervened at a suitable moment to give us that guarantee, it would be helpful.

Gregory Barker: I cannot make any promises, but I will certainly reflect on this and look at it in more detail.

Caroline Lucas: I thank the Minister for that. That will be helpful.

I will wind up by referring to amendment 97, which has the same goals as amendment 41. I reiterate that this is about confidence in the whole process, and comes back to the idea that when the assessor walks through someone's door, they do not want to hear that the different measures they might put in place will have different levels of consumer protection. That consumer protection is not a burden; it is a guarantee for the whole package of measures.

I worry that if we have different levels of protection for different measures, we risk undermining the package as a whole. We need to have a seamless experience for the consumer, who will not be looking at it so minutely as to see which bits fall under which headings. They want to know that they are getting measures in their home, potentially funded by more than one source, that will be of a high standard, and which they have recourse to complain about if there are problems. That is why I stress amendment 97.

Nadhim Zahawi (Stratford-on-Avon) (Con): It is a pleasure to serve under your stewardship, Mr Leigh.

I hear what the hon. Lady has to say on the matter, and she has raised some important issues. However, she comes to the Bill with the view that all consumers will

want to take an holistic approach to all energy savings. Part of what we are discussing is that the catalyst for the consumer to get someone to walk through their door is the green deal. Some consumers will not comply with her theory, but her important points should be examined when discussing secondary, not primary, legislation. She assumes that all consumers will take an holistic approach and want everything in their home looked at, whereas the tipping point for many will be the green deal itself.

11.30 am

Caroline Lucas: I do not agree that the two matters are mutually exclusive. I agree that the financing option of the green deal will be helpful and attractive to consumers, but it would also be helpful if a wider assessment was undertaken when the person was in the house. We do not often make the effort of getting someone to walk through a person's house to do an assessment. While such a person is there, it makes sense for them to undertake a wider assessment. However, I am reassured that the Minister will look at the matter again later in our proceedings.

Huw Irranca-Davies: I welcome the Minister's undertaking to look at the matter again. I want him to reconsider it because, in response to the hon. Lady's point, the success of such a market-driven approach will rely on its attractiveness for savings in money as well as energy. It will be a missed opportunity if we do not also maximise the impact on carbon savings as well as purely on cost and energy savings. For the past decade, the Government have put forward such a policy, so I ask the hon. Gentleman to engage with us to achieve a much more joined-up agenda so that this is not purely a market-driven process of going to Mrs Miggins delivering x, y and z product, but also about the carbon agenda of the Government. Otherwise, it will be a sadly missed opportunity. I know that the hon. Gentleman is keen on such action, and I hope that he will work with us to ensure that such matters are clearly on the record.

Caroline Lucas: I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Caroline Lucas: I beg to move amendment 101, in clause 1, page 2, line 22, after 'property', insert 'except where the bill payer is recognised as being in fuel poverty,'.

This amendment would mean that households living in fuel poverty are not required to make repayments on Green Deal loans.

I reassure the Committee that I will take a lot less time with what is essentially a probing amendment than I did earlier. I shall not press it to a Division as I recognise that, if it were adopted, it would cause significant effects elsewhere in the Bill. It would be the first opportunity that the Bill would present to raise worries about the interaction of the green deal and the energy company obligation, especially when such interaction affects those living in fuel poverty. I accept that the Government have published a paper on the ECO entitled "Extra help where it is needed: a new Energy Company Obligation", but I am not sure that it contains much clarification. For example, it says that targets will only be achieved within a certain householder group—lower-income and

vulnerable households where the green deal is less likely to work—and/or within certain property types such as those needing solid wall insulation.

I and many others want to know whether the word to bear in mind is “and” or “or”. The difference could be significant and how the funding is allocated either to the hard-to-treat homes or to those living in fuel poverty will be crucial to whether the measure can make a serious impact on reducing fuel poverty. The purpose of the amendment is to invite confirmation that any household recognised as living in fuel poverty will not have to repay a green deal loan and therefore have the cost of green deal eligible measures fully met by the ECO. If that were not to be the case, will the Minister specify what proportion of a fuel-poor household’s green deal loan would be met by the ECO? Ideally I would like the ECO to fund improvements for fuel-poor households without their being required to enter into a green deal finance arrangement at all. Many people in fuel poverty are debt-averse, or indeed are already in significant debt to energy companies, so I ask the Minister to provide that assurance.

The Bill has great potential to transform the UK’s building stock in a way that will finally tackle fuel poverty and significantly reduce greenhouse gas emissions. However, the significant lack of clarity about the area in question, and others, means that no one in the Committee can be entirely sure that its potential will be met. I hope that Ministers will provide a good deal of that much needed clarity during our proceedings, starting with their response to the amendment.

Dr Whitehead: May I underline the question that I think will come up throughout our proceedings? There is very little clarity at the moment—I suspect that we shall need much more before we are clear about where we are going—on exactly how vulnerable, fuel-poor people will fit into the way the green deal works. I take it that the purpose of the amendment is at least to introduce that issue centrally into our debate.

The document that the Department has helpfully produced about the energy company obligation provides an interesting chart giving the illustrative overall interaction between green deal finance and ECO subsidy. Under the ECO subsidy it points to measures providing affordable warmth for the vulnerable. There is a Venn diagram, showing part of what looks like the ECO subsidy being applied only to those who require affordable warmth and are vulnerable, and who therefore would not gain that affordable warmth under the green deal itself.

However, the Bill suggests that a number of people who might be vulnerable and in fuel poverty may well participate in the green deal, either directly, or indirectly through landlords or other parties. They therefore might not be included in the relevant section of the Venn diagram. There is a helpful warning—rather like the one on McDonald’s pies, warning that they are hot—saying that the diagram is not to scale. That is very helpful, but nevertheless it is essential to define the extent to which the ECO will come to the aid of people in fuel poverty, who do not necessarily require a simple cost reduction. Those people need affordable warmth and a great improvement in the energy efficiency of their properties, whether rented or owned, to help to bring them out of fuel poverty, with an effect on both their costs and their warmth. At present how that will work is very unclear.

There would of course be substantial difficulties in putting a simple exemption in the Bill, with respect to fuel poverty, as has been suggested. Those who are in fuel poverty may—among other things—move home. If someone in fuel poverty arrives at a home that has already had the green deal attached to it, that may affect the definition of whether they are in fuel poverty, under the present definition, which I hope will continue.

Nevertheless, the overall issue of what will be within the ECO, and what proportion of it will be dedicated to dealing with the homes of people who are vulnerable and in fuel poverty, remains pretty obscure. I hope that as the Bill proceeds we shall achieve much more clarity, which would be helpful in deciding what goes in the Bill in specific relation to fuel poverty.

Huw Irranca-Davies: The amendment relates to fuel poverty, which goes to the heart of many Committee members’ concerns. The hon. Member for Brighton, Pavilion has said that she tabled the amendment to probe that matter and it is right that we do so. Despite the best efforts of previous Governments, who put a lot of commitment into tackling the issue, we know that the latest Government survey of poverty showed that 3.3 million households in England, and 4.5 million in the United Kingdom, lived in fuel poverty in 2008. It predicted that as many as 4 million households in England, and 5.5 million across the UK, would be living in fuel poverty last year.

The challenge is absolutely massive and it comes at a time when Warm Front funding is being phased out. For the first time since 1978 there will be no direct Exchequer funding for domestic energy efficiency improvements that tackle the very issue of fuel poverty. How do we deal with that? To echo comments that have been made by my hon. Friend the Member for Southampton, Test, we want the Minister to clarify, in his response to the amendment, what will happen with the ECO, which we want very much to see targeted at the fuel poor.

The measure raises important questions. For example, can ECO operate independently from the green deal so that it is targeted only at those households that are fuel poor, regardless of whether they take up the other green deal measures? Will the measure be driven purely by the market forces that the Minister has mentioned? Will market entities go into houses from which they think they will make the most lucrative 10-year, 15-year or 20-year deals? Such deals will not be made, for example, from the stone-built, 1870s terraced house at the top of the Garw valley.

Will the Minister provide clarity on what the ECO will be used for, as my hon. Friend has mentioned? I know that the Minister and his officials are working very hard to give us that clarity, but the Committee does not have it here and now as we deliberate. I hope that when the Minister responds, he can say that the ECO can be delivered independently of the green deal if necessary. In addition, how much—if not exclusively—will the ECO be targeted on fuel-poor households?

Gregory Barker: May I start by thanking the hon. Member for Brighton, Pavilion, for tabling the amendment, which seeks to ensure that households in fuel poverty will not be required to repay green deal charges? I do not agree with some of her arguments, but she makes an

[Gregory Barker]

incredibly important point that is at the heart of the green deal. We must ensure that the green deal is an ambitious response to the need to reduce carbon emissions and eradicate fuel poverty; that is at the very heart of the Bill. However, through the ECO home-heating cost reduction target, the Bill already has provisions that are designed to provide substantial extra support to low-income and vulnerable households, so that they can heat their homes to a more suitable level without increasing their bills.

The hon. Member for Brighton, Pavilion, knows well that households on very low incomes tend to under-heat their homes far more than the rest of us, which can pose significant health problems, particularly for the most vulnerable. In such cases, the ECO will help people to meet the up-front costs of efficient central heating systems and insulation. That will help householders to heat their homes to a more suitable level without increasing their bills and, potentially, bring health and social benefits, too.

Returning to points that the hon. Lady made earlier, I certainly anticipate that a green deal installer or provider will look at not just conventional heating, but potential opportunities for the fuel-poor to access renewable heat incentives and feed-in tariffs, particularly where there is a partnership with a local authority, which has a duty under the Home Energy Conservation Act 1995 to bear down on and grip the issues; that duty will be reinvigorated. One of the most active users of feed-in tariff technology is social housing, and we want to see that technology rolled out much more ambitiously.

11.45 am

Graham Jones: I thank the Minister for his generosity in giving way. He briefly mentioned the responsibilities on and duties of local authorities; I suspect that issue may come up throughout the Bill. Will there be resources for local authorities to deal with the matter and execute the duty, or will they have to do so within their current budgets?

Gregory Barker: We will discuss those points in more detail later in the Bill. The hon. Gentleman raises a good point, but it cannot be dealt with in a simple answer, because in rolling out the green deal, there is a potential for local authorities to earn income, rather than simply expend resources. That requires a more detailed explanation than I think the Chair will give me latitude for in this debate on the amendment.

The ECO has been designed to offer further support in addition to green deal finance to ensure that those living in harder-to-treat properties can benefit from energy efficiency improvements delivered under the green deal. That support will be integrated into the green deal framework; where ECO financial support and green deal finance combine to deliver the improvements, the details will be arranged behind the scenes, so that there is a seamless offer to the householder. We propose that, as part of the assessment process, households will be encouraged to consider their actual energy use to ensure that the green deal is appropriate for them.

Caroline Lucas: I want clarity on two things. Forgive me if I am not being clear. First, do we know how much of the overall ECO pot will be ring-fenced specifically

for the fuel-poor? Secondly, will those in fuel poverty experience the ECO as a separate grant, or will it be tied into a green deal package, in which case they would still be paying it back?

Gregory Barker: I was about to come to those points, which were also raised by the hon. Member for Ogmore. We are not going to put a split into the Bill. The issue is a big one, and I would welcome more detailed contributions and thought from the hon. Member for Brighton, Pavilion, and other members of the Committee. We will be consulting on it. It is only right that we look not just to the Committee, but more widely. There is more work to be done in talking to stakeholders, non-governmental organisations and local authorities to come up with that split. We will do that as part of this autumn's consultation. We may want a degree of flexibility on that issue, or want to move it over the lifetime of the deal. We are talking about a programme that could run for up to 20 years, and we cannot anticipate in Committee just how the market will unfold—where it will be most successful, or what the problems and barriers that I am absolutely sure it will run into will be.

Luciana Berger: The Minister used the word “split” a number of times, and I would like some clarity on that. Is he implying that some of the ECO will be allocated to the able-to-pay sector?

Gregory Barker: Yes. The idea is that there are twin objectives: the hard-to-treat homes and the eradication of fuel poverty. We need to think carefully about that, and to take more evidence and work through what is a complex issue. However, we shall do that in the autumn, and it is right that we should consult properly on it.

Huw Irranca-Davies: I accept what the Minister says about the need to consult all the various stakeholders engaged with the issue of fuel poverty, but we are struggling to get any idea of what the Minister feels. We are clear that a significant proportion, if not the entire amount, will need to be targeted at fuel poverty, and the Minister has not given any assurance that that is his intention, or that that will be achieved. Can he give more clarity on where the split might be? What are his initial thoughts?

Gregory Barker: I think it would be unhelpful of me to shoot from the hip with my initial thoughts. First, we have yet to agree with the Treasury the size of the ECO. We need to define the size of the cake before we start to slice it up. Secondly, once we have done that—and all help in that direction is gratefully received—it is right that the views of the Committee should influence and inform the consultation.

I also need to see some modelling of the various scenarios and splits, once we know the size of the cake, so that we can understand whether there are any perverse consequences. If we were to go for a very large weighting towards the fuel-poor—which is entirely possible—what would be the impact on our carbon targets? What is the impact on carbon emissions of skewing things overwhelmingly to the fuel-poor? Alternatively, is there a benefit to looking at things, in carbon terms, that automatically enhance the welfare of the fuel-poor? A lot more modelling and stress-testing needs to be done before I give any flip answers.

Dr Whitehead: Perhaps I can help the Minister with some initial figures. In his document, “Extra help where it is needed”, he suggests that the Committee on Climate Change document, “Meeting Carbon Budgets: the need for a step change” states that 2.3 million solid-walled homes will need to have taken up solid wall insulation by 2022 for the UK to be on track to achieve carbon budgets. At £6,000 per property, that would come to about £13 billion by 2022, which would be £1.3 billion a year out of ECO, assuming it would be done under ECO. The Minister himself suggested a little while ago that ECO should be about £2 billion a year. That suggests that the vast majority of ECO would be taken up by solid wall insulation and not by help for those who are vulnerable and in fuel poverty—unless, of course, ECO is very much larger, and the Treasury gives him everything he wants for Christmas.

Gregory Barker: I think that the hon. Gentleman is assuming that those in need of solid wall insulation are not fuel-poor. I do not know the absolute answer, but I think that he would find that a very large number of the fuel-poor are those with solid-walled homes. Particularly in rural areas, the hard-to-treat homes are invariably the lower decile income homes—older properties that need solid wall insulation. The idea that there is an either/or, binary choice is a little misleading. Rather than making a quick choice, we need to do much more research and stress-testing for exactly the reasons that I have posited: to get to the bottom of the matter.

In response to the question on how the measures are to be delivered, and whether we can just rely on the market, I draw the attention of the hon. Member for Brighton, Pavilion, to the revitalised Home Energy Conservation Association. We will have an opportunity to debate this, but we anticipate that local authorities will take a leadership role in their areas, particularly focusing on energy efficiency improvements among the fuel-poor, and ideally they will do so in a range of partnerships most appropriate to their area. There is a great opportunity for big society-style collaboration between the private sector, the third sector and the public sector. We certainly do not want to be prescriptive in how that will operate, but as a result of the Bill we expect, in no uncertain terms, a clear focus on the fuel-poor in each local area.

Graham Jones: I again acknowledge the generosity of the Minister in giving way. I am sure that the point will recur throughout the debate, but it might be beneficial to make my suggestion now. The Minister mentioned local authorities having to deal with fuel poverty, and two local authorities in shire areas are addressing that issue at two different levels. I suspect that much of the enforcement and on-the-ground work is done by the district authority, but information held by district and shire authorities about individuals’ circumstances is often not shared; sharing it might help resolve some fuel poverty issues. Is the Minister looking into that, and will he address it in Committee?

Gregory Barker: The Department is very familiar with the issue of data sharing, which we have been looking at in the wider context of the energy sector as a whole, but the hon. Gentleman is correct. I have not focused on the problems of districts and counties, but I am happy to reflect on that matter.

We do not believe the amendment is necessary, because the Bill already provides support for households in fuel poverty. Clearly, the green deal will provide an opportunity to upgrade homes—whether privately rented, social housing or owner-occupied—and the level to which finance will be levied on the Bill as part of the green deal will depend on the savings that can be made. No one, whether they are fuel-poor or a high earner, should have their fuel bills increase; because of the golden rule, those bills can only decrease. It is precisely where people are unable to pay for the required measures, because of low usage, that the ECO will kick in. Other measures—the warm home discount and a range of other initiatives—are designed further to assist the fuel-poor, but the green deal is about upgrading the fabric of buildings and dealing with the root cause of fuel poverty, both in urban areas and in the overlooked rural areas. Only by dealing with the root cause of fuel poverty will we make genuine progress in turning it around.

Mr Steve Brine (Winchester) (Con): It is a pleasure to serve under your chairmanship, Mr Leigh. I want to ask this question, probably not for the last time: as the Minister and his team work on the ECO and on how the green deal can assist the fuel-poor, will he keep park home owners, who are now part of the green deal—that was confirmed at questions a while ago—in the forefront of his thinking, because they often fall into the category of the fuel-poor?

Gregory Barker: Absolutely. They have been woefully neglected in the past. We know that park homes are inhabited by a high incidence of the fuel-poor. As my team have already been doing, we will try to find solutions to the specific problems faced by park home owners and dwellers.

Graham Jones: I, too, was going to address park home owners, but I thank the hon. Member for Winchester for raising that point. I wanted to ask the Minister about what he said previously about dealing with fuel poverty at its source. Reference has been made to such matters as solid walls insulation and we will move on to discuss F and G-rated properties, but as the debate goes on it is worth asking this now. The Minister talks about fuel poverty, but what about the health and safety rating system and category 1 and category 2 hazards? Are they part of the equation in dealing with fuel poverty? Will they be considered or will they be neglected and not included in the Bill? I want to understand the linkages and add a further linkage to the Bill.

12 noon

The Chair: Order. Interventions are getting longer and longer. I am an easy-going chap, but give hon. Members an inch and they will take a mile. Please keep interventions crisp. Members of the Committee can stand up whenever they want and give a speech, but it is not fair to interrupt the Minister.

Gregory Barker: Thank you, Mr Leigh. I am grateful for your protection.

Huw Irranca-Davies: Could the Minister at least tell us when we will have clarity? Do we have to wait until autumn or can he share with us the modelling or whatever on how he is going to target fuel poverty as early as possible? That is what concerns the Committee.

[*Huw Irranca-Davies*]

Gregory Barker: That will come out with the consultation in late summer or early autumn. On the points made by the hon. Member for Hyndburn, we will have an opportunity to consider his concerns at a later stage of the Bill.

Caroline Lucas: I appreciate the importance of the consultation. All the non-governmental organisations, local authorities and stakeholders I have spoken to are deeply concerned that the fuel-poor could end up effectively subsidising consumers who are able to pay and who happen to live in hard to treat homes, because the ECO is being unduly directed at them. I appreciate that some of the people who live in hard to treat homes are fuel-poor, but not all of them are. Given that some of them are, could the Minister guarantee that they will be a priority within the part of the ECO that is looking at hard to treat homes? Instead of hard to treat homes as a category, it should be those living in fuel poverty who live in hard to treat homes. That would be a way of trying to combine two different ideas, which are causing us a lot of concern.

Graham Jones: Is the hon. Lady suggesting that the poor would perhaps end up subsidising people who are in grade I listed buildings because they are old?

Caroline Lucas: I thank the hon. Gentleman for his intervention. Indeed, that is precisely the kind of mechanism that could be seen. Let us not forget that the ECO is actually being funded by a levy on all bills, including the bills of those who live in fuel poverty. If they see money from their bills going to treat grade I listed buildings, that will not be a great incentive to get involved in all this. There is an opportunity here for the Minister to consider not simply the idea of using the ECO for hard to treat homes but using it for fuel-poor people who live in hard to treat homes.

Mr Brine: I make the point that just because somebody may live in a grade I or grade II listed building, it does not mean that they are the super-wealthy. There is the well-known term “property rich, cash very poor,” and someone can be both those things. Does the hon. Lady accept that?

Caroline Lucas: I absolutely accept that. It does not contradict what I am saying. I am simply suggesting that we prioritise people who are in fuel poverty in hard to treat homes, who may indeed fall into the category that the hon. Gentleman describes. I do not intend to press the amendment to a Division. We have had a useful debate, because it has put on the record the concerns that many of us have. We are anxious to ensure that fuel poverty is at the top of the agenda, alongside energy efficiency. We want to make the best of the opportunity that we have here to ensure that we use the Bill as a way of addressing fuel poverty. However, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Gregory Barker: I beg to move Government amendment 1, in clause 1, page 2, line 22, leave out ‘and’.

The Chair: With this it will be convenient to discuss the following: Government amendments 2, 45, 4 and 20.

Government new clause 3—*Early repayment of green deal finance.*

Gregory Barker: This group of amendments deals with the fine tuning of the green deal model to optimise the supply of finance. First, I will speak to amendments 1 and 2, which are technical but important. They do not alter the basic framework of the green deal model. They merely clarify that energy suppliers can recover unpaid green deal charges as a debt through the courts, if necessary. These amendments do not constitute a change in policy; they merely reaffirm a basic principle of the green deal. That principle is that the green deal charge be treated as the same as energy debt, thereby delivering as low an interest rate as possible. These amendments will help provide the private sector with the confidence it needs to gain access to the lowest possible interest rate and the most competitive sources of finance. I urge the Committee to support these amendments.

Amendment 4 is an important technical amendment to facilitate the green deal model. It is possible that green deal providers will want to use their own capital to undertake energy efficiency works and recoup their costs through repayments. It is more likely, however, that they will instead look to financial institutions to provide them with the necessary capital and, in return, will sign over their rights to all or most of the income stream from green deal repayments.

We have always intended flexibility for both options in the model. Discussions with the finance community have highlighted the need for an explicit reference in the Bill. The amendment spells out that remittance of payment by the energy companies can be to green deal providers or any financial institution nominated by the green deal provider. In bringing forward the amendment, we are removing unnecessary administration costs for green deal providers who would otherwise need to forward on payment. I hope that the Committee will also be able to support the amendment.

Amendment 20 and new clause 3 are substantive. The green deal model allows property owners and occupiers to install measures that are paid for over time. It is therefore a form of credit, albeit a pioneering and exceptional one, as liability to make payments under the plan passes to future bill payers at a property, rather than remaining with one person. For green deal plans sold to domestic customers, the Consumer Credit Act 1974 will therefore apply. The 1974 Act allows customers to repay credit arrangements early and allows creditors to recover compensation in those situations. That is already a feature of most consumer credit arrangements. Under the consumer credit directive, member states can enable creditors to recover additional compensation in exceptional cases. As some green deal plans are likely to be exceptionally long in duration compared with standard credit arrangements for consumers, we consider that it is appropriate to enable green deal providers to recover a fair level of compensation, if they wish.

The amendment enables green deal providers to recover, within a tightly controlled framework, the losses resulting from early repayment. That will enable green deal providers to avoid having to price the risk of early repayment into every single deal, to reflect the fact that existing compensation provisions are inadequate. That could force green deal providers to raise the prevailing interest rate for all green deal customers.

The amendment does not create a carte blanche. Its application is limited to green deal plans and only those plans that meet requirements to be set out in secondary

regulations. Moreover, compensation can be charged only if the provider can demonstrate that they will suffer an objectively justifiable loss as a result of the customer repaying early. In broad terms, we envisage that that will be based on a comparison of the agreed interest rate of a particular deal and the prevailing interest rate on the green deal market, at the time of any early repayment. Such compensation will only be available when the interest rate is fixed. It will not apply where the interest rate is variable and the interest rate can rise and fall with the market. That is a requirement of the directive.

We will set out in secondary legislation the conditions under which compensation may be claimed and how green deal providers should calculate the loss that they have suffered. When no loss can be demonstrated, providers will not be permitted to recover additional compensation. In addition, providers are free to choose not to charge exceptional compensation if they feel able to bear the loss, or mitigate its risk in other ways. Importantly, the green deal provider will not be able to recover compensation that is greater than the interest that would have been due had the agreement continued to its conclusion. Crucially, enabling green deal providers to recover additional compensation is in line with the consumer credit directive.

Amendment 45 deals with who should take liability when a customer defaults on a green deal payment. To ensure the lowest cost of capital for the green deal, which is a matter that has been raised by a number of hon. Members, it is important to eliminate as many risks as possible. Stakeholders and the other place have consequently pushed for a final position on default in the Bill, which will provide much greater certainty for all potential green deal participants and energy suppliers, and will allow them to develop their business models accordingly. I am pleased, therefore, to respond positively to that request by introducing the amendment.

The amendment has three objectives: first, to limit adverse balance sheet impacts for energy suppliers; secondly, to minimise costs to consumers and customers; and thirdly, to ensure that robust collection incentives are in place. The Bill currently allows liability for default to be placed on energy suppliers. However, it was confirmed that that would have a significantly negative impact on their company credit rating, which would materially affect their ability to raise capital and invest in other priority areas such as renewable energy generation. In addition, stretching energy companies' balance sheets adds an extra level of risk for green deal providers, which impacts on the level of equity required, the credit rating of any bond issuance and, therefore, the overall cost of green deal finance to consumers.

Finally, placing liability on energy suppliers creates a potential moral hazard for green deal providers because they have no incentive to ensure that they lend responsibly, which might lead to an increase in the overall default rate. The green deal provider would be able to offset a significant portion of the default risk by implementing robust origination and assessment criteria, ensuring that they lend responsibly. We are therefore amending clause 17 and intend to make it clear in licence modifications that energy providers will not be required to make green deal payments to providers on behalf of customers who default; green deal providers will take ultimate liability in such situations.

It is important, however, to ensure that there is a robust incentive for energy suppliers to collect payments, so we intend to impose a revenue-sharing obligation on suppliers in default situations. We envisage that green deal payments will rank equally with other elements of the energy bill. That means that if the green deal payment is 20% of the total amount of the bill, suppliers will pass on 20% of whatever payment they receive from the customer. Suppliers' obligations to collect and pass on payments will be implemented by changes to licence conditions, which will be enforced by Ofgem.

We are working with Ofgem on how we might strengthen its monitoring and compliance mechanisms for the revenue-sharing obligation. In addition, we will place requirements in the multi-party agreement that will give green deal providers a contractual method of recourse if energy suppliers fail to fulfil their obligations.

I believe thoroughly that such a solution will achieve the three aims of limiting adverse balance sheet impacts, minimising costs and ensuring an appropriate incentive to collect. I hope that members of the Committee will support it.

12.15 pm

Luciana Berger: I am grateful to the Minister for giving us so much information and detail about the amendments. I wish to speak about debt recovery and liabilities. At present, suppliers can disconnect a household only for failure to pay the charges associated with the supply of electricity and gas, and associated metering costs such as the standing charge. The ability to disconnect electricity or gas supply for unpaid charges is governed by primary legislation. Suppliers cannot disconnect consumers as a result of debt or unpaid charges for services or products other than the supply of electricity or gas.

Clause 16 gives the Government powers to direct the regulator to amend licence conditions. Such powers may afford suppliers the ability to disconnect consumers for non-payment of green deal charges. That is where my worry lies. Will the Minister deal with such matters in his response, because many organisations have rightly highlighted their concerns about the new power to disconnect? Consumer Focus strongly believes

“that the existing interpretation of existing SLC and Gas/Electricity Acts must remain in place, and physical disconnection of supply can only take place for failure to pay charges associated with the supply of electricity/gas.”

National Energy Action states that

“any changes to the current Licence Conditions to afford suppliers the right to disconnect consumers for non-payment of Green Deal Finance charges would significantly weaken consumer protections, particularly for the most vulnerable and marginalised consumers.”

It is on behalf of those consumers that I raise such points. It goes on:

“However, such powers are thought to be advantageous in convincing the finance community that the Green Deal represents a robust investment. Without such reassurance, it is argued that the rate of interest would be punitively high as would the resulting repayments.”

Will the Minister deal with those two points?

Data from Ofgem suggest that 2.5 million households in Great Britain are in debt to their energy supplier, which is a large number of households. What will the Government do to protect the marginalised, vulnerable

[Luciana Berger]

customers such as the elderly and disabled and those whose circumstances change dramatically? As a result of redundancy and other such matters, the circumstances of many of my constituents are changing dramatically and it is on their behalf that I am raising such issues.

I am grateful that the Minister clarified liability. It was raised previously in the other place, and I am sure that all members of the Committee have been lobbied about where liability for default will fall. I am pleased that the hon. Gentleman used the *pari passu* model. He referred to variable interest rates. We have not had such a discussion. Will he elaborate further and explain what he envisages in respect of variable interest rates for green deal repayments?

Graham Jones: I welcome the comments of my hon. Friend the Member for Liverpool, Wavertree regarding the transfer of debt from the energy company to the creditor and the worries that that will cause in respect of consumer protection and the necessary changes in primary legislation that will result. We must examine the relationship between those circumstances and the ability of the customer to pay other primary bills such as council tax, a liability that could see them go to prison. There is a range of associated issues that the Minister must address.

I want to touch on one important aspect of the matter—card payment meters. With a card payment meter and the green deal a fixed payment will be paid by the recipient to the energy company. Of course, with card payments there is also a variable payment in relation to the amount of energy that the customer would require between charges of the card.

I am very concerned about how the relationship will work with card payment meters. I presume that the Government will make the green deal the first charge on the card payment reader, with the variable top-up subsequent to that. For instance, if a customer had a green deal worth £10 per calendar month and wanted £30 of energy it would be on top of the £10, and they would pay £40 under the green deal.

I accept that there would be a reduction in some of the energy costs, meeting the golden rule, but I want to clarify how things will work for people with payment cards, because it is not addressed in any of the literature that I have had from the Government or NGOs. I would like it to be addressed, because many people in fuel poverty have card payment meters.

I should like the Minister to go further, and deal with the issue of fluctuating energy costs. In winter the payments of someone with a card payment meter would rise significantly, whereas the primary charge—the green deal, which would come before that—would be a fixed deduction on the card. How will the green deal work? In what order of priority will it work for people with card payment meters?

What will happen in winter? Given that people require less energy in summer and more in winter, will we push more people into fuel poverty because we have a bad winter, for example, with months of snow? With the green deal the first charge on the card they may suddenly not be able to afford to pay. They may be able to afford it over the course of a year, but presumably if they are in fuel poverty their income is pretty tight and they do not have flexibility from summer to winter. Will they be pushed further into fuel poverty?

There is an issue about transferring the creditor debt on to the green deal company—how that will work for people on card payment meters.

Caroline Lucas: I am concerned that there is a risk that the Minister's amendments could mean people being disconnected for failure to pay the green deal component of their bills. I want to reinforce the point that there is a link with how the bills are presented. If an overall bill merges the green deal payment with the payment for the energy used it will become non-transparent, and difficult to see what is owed for which services. It is not right for people to be disconnected for failure to pay the green deal component. We should stay with the present situation, in which people are disconnected only for failure to pay the energy component.

Gregory Barker: First, on the point raised by the hon. Member for Brighton, Pavilion, which summarises some of the concerns raised by other members of the Committee, there simply will not be a way to distinguish in payment what is or is not the green deal. In the same way, at the moment, there are several charges apart from simple energy consumption on the electricity bill. It is not open to the consumer to decide which charges or levies they want to pay, and which they do not.

In exactly the same way, they will be able only to pay their energy bill. It will not be possible for someone to decline to pay the green deal while paying their energy bill, and to be disconnected for not paying their green deal charges, because the choice to disaggregate in that way will not be available to the consumer, just as they cannot disaggregate from any other charges or levies currently on their bill.

Luciana Berger: I hope the Minister will forgive me, but we have had conversations about this before, and he previously said that people would be able to see a separate part of the bill setting out the green deal payment.

Gregory Barker: That is exactly right—people will be able to see it. Electricity bills do not have a one line item, but several line items, split out to show the various levies and range of charges. I might bring a bill to a future sitting in order to illustrate that. A bill is not one monolithic number, but there is one cumulative number at the bottom. That is the number that will remain and the energy companies will be obliged to connect. The consumer will not be able to disaggregate the green deal figure, any more than they can currently split out the line items on their bill.

That prompts the question: will the green deal increase the number of people disconnected? Almost certainly not, we can say with a high degree of confidence. The green deal is designed so that the repayments that a customer has to make are not more than the likely energy bill savings, and as long as that principle—the golden rule—is adhered to, the number of disconnections should not increase.

Graham Jones: The Minister did not really answer the question about card payment meters. Are we going to create fuel poverty?

Gregory Barker: If I might make a little progress, I will endeavour to answer the hon. Gentleman's question. He will be pleased to know that we will certainly work

with prepayment meters. It is our intention that the green deal charge will be able to be collected through all payment routes currently used by electricity suppliers, including prepayment meters. I hope that puts his mind at rest.

Graham Jones *rose*—

Gregory Barker: If I might make a little progress, I will then give way to the hon. Gentleman.

Making all those payment routes available is not quite as simple as it sounds, so we are working with the industry on the technical details of how it will work. We will provide a further level of detail and information in secondary legislation.

Graham Jones: The Minister is generous to give way. I am sorry to persist with this issue, but will he give his view on it? I am extremely concerned. Are not people facing high winter bills and an up-front charge for the green deal, which is a fixed amount, not a proportion, going to think, “I will need to cut back on my energy in December, January and November because I have the green deal”? Does he intend to fluctuate the green deal payments for prepayment card users? I think he will drive a lot of people into fuel poverty. Will he address that issue?

Gregory Barker: I am afraid that the hon. Gentleman has got completely the wrong end of the stick. The whole point of the green deal is to reduce energy bills. Far from going up, energy bills in winter will be lower than those in the previous winter, if the green deal is adhered to. The fuel-poor will receive additional support from measures subsidised directly by the energy company obligation. There are no up-front payments and it is simply wrong to refer to them. Regardless of the mechanism that pays for the green deal—whether it is prepayment or a monthly direct debit—the net effect will be that people’s bills should be lower, inclusive of any finance charges. Obviously, the finance charges for the fuel-poor will be significantly less than those for a comparable household that is not in fuel poverty, because of the additional help available from the ECO.

Graham Jones: Obviously, I was unable to make my point clearly. My point is that that is great over a 12-month period, but I am talking about the fluctuations and the pressure that the provision will exert on people on prepayment. There will be high demand in winter, and they will still have to pay a huge amount. There will be no fluctuation in the green deal payment either—that will be fixed over a lifetime, on a per-month or prepayment basis.

Gregory Barker: Again, the hon. Gentleman does not grasp the argument. The savings will be greatest in the winter. Savings will not be made on heating bills in the summer, and the lights will not need to be on for longer. The green deal will really kick in in the winter and, thinking about it logically, it is more likely that the green deal finance charges as a proportion of the overall bill will be higher in the summer months than in the winter months when the savings from having properly insulated—increased the thermal envelope of the home—kick in. In December, January and February the fuel-poor will feel the greatest benefits of the green deal and the supporting measures.

12.30 pm

Tessa Munt (Wells) (LD): I want to check that when the Minister talks with the energy companies about charging he will ensure that people who are on prepayment meters and therefore pay a higher price for their electricity will not be disadvantaged. Their fuel costs are higher than those of anyone paying by direct debit. Will he ensure that there is the capacity for that balance, and that people who are paying a higher unit cost will still make significant savings?

Gregory Barker: I can go further than that. The more someone pays for their electricity, the greater their savings will be. The bottom line is that the whole purpose of the green deal is to reduce energy consumption. Someone on a very expensive tariff stands to make the greatest savings, while someone on a competitive one will, logically, save slightly less in absolute terms.

Tessa Munt: I accept that that might be the case if one does the calculation when someone is not in a difficult financial situation. I have to say that I have not thought this through absolutely clearly, but I would like some clarity about what happens if someone’s calculation about their savings is done by their assessor on a straightforward financial arrangement but they then move into a situation in which they need a card meter because they have other financial difficulties. Will the calculation still work?

Gregory Barker: Again, the situation moves in their favour. If someone goes into a prepayment situation and, as things stand, ends up paying more for their energy, they will be better off having done the green deal than had they not done it. The more someone pays for their energy the better off they will be—the greater the savings that will accrue to them, is probably a more accurate way of putting it—as a result of taking energy-saving measures. I apologise to the Committee that I cannot be more specific at this stage, but people in fuel poverty will obviously have the additional benefit of measures that are subsidised by or funded from the energy company obligation and therefore do not bear the full impact of conventional finance charges. The higher the cost of the energy, the more the customer benefits from the green deal.

Huw Irranca-Davies: Will the Minister accept that the corollary of his argument is the situation of an individual living in what might be deemed, for the purposes of the green deal, an inappropriate property? For example, if a single parent—and we know how many single parents are in fuel poverty—lives in a home that is too large and the calculations have been done on the standard number of residents for that kind of property, the proportion going on repayment could well disadvantage them significantly.

Gregory Barker: Any green deal assessment will obviously take into account the personal consumption of the residents of a particular house or flat. My expectation is that the first thing the green deal assessor will do is look at the previous 12 or 24 months’ energy bills. That will be step one, and it will be the starting point for ascertaining how much financing is available for energy-saving measures.

Graham Jones *rose*—

Gregory Barker: Please let me make a bit of progress. I do not anticipate, therefore, that the situation that the hon. Member for Ogmore has outlined will arise. Some single mothers live in larger properties, but, I would imagine, not many; most of them are probably in cramped, poor accommodation. Those in larger properties or difficult-to-treat homes would necessarily qualify for ECO help. This is the “hard-to-treat homes versus fuel-poor” argument from a little earlier.

The hon. Member for Ogmore is right, however, to probe what happens when the residents of a building change. A family of five might move out of a house and a widow, or a single professional, might move into it and live there on her own. Clearly, in such circumstances, a judgment would have to be made before that person moved into the property to ensure that they could afford the energy bills. There would need to be proper disclosure of the basis on which the green deal had been calculated and the assumptions that were made around consumption. An intelligent and informed decision would need to be made before someone moved into such a property.

Huw Irranca-Davies: I thank the Minister for his generosity in giving way. We are getting to the heart of the matter. The impact might be most significant when there is a change of resident and a change in the nature of a household. In a rational world, I—the Minister, anybody—would look at a full, good disclosure and make a choice. I would say, “Actually, I have seen the repayments on the green deal; that property is not for me. I thought I would go into a large property, but I’m not going to.” People might not do that, however. They might miss the opportunity, or they might not be as supremely rational as we are. What then for the widow who moves into a property and finds that the green deal repayment is crippling her financially?

Gregory Barker: As I have said, ultimately, there is a degree of moral hazard. We cannot legislate for all circumstances and not put some responsibility on consumers to make appropriate choices. That would not be the only decision that the person would have to make: a single person who moved into a large house would have to pay more council tax, would necessarily have a larger heating bill, and would have maintenance expenses that they would not have in a smaller property. We can go only so far, and we cannot exclude the choices that responsible adults must make; we can, however, ensure that they have the necessary disclosure and full information to make sensible, responsible choices.

Dr Whitehead: I am attempting to make sense of “the more you pay, the more you save.” If someone has been assessed for green deal measures but has accumulated their energy bills from the previous year on the basis of an incorrect tariff, that would affect the golden rule and what work they could have done. If, subsequently, they went on the right tariff, not having been advised to do so by the assessor, they would not get the value that they might have done, and which the Minister described. Will the assessor have a duty to put people on the right tariff before the golden rule is applied and the energy measures are provided, or does the assessor simply go on what the actual bill was in the previous year and apply the golden rule on that basis?

Gregory Barker: The hon. Gentleman makes a sensible point. I reassure him that green deal measures will not be financed simply on the basis of the last tariff paid, for exactly the reasons that he posits. The golden rule will be a conservative measure based on a standardised model of consumption and energy costs. In addition, prospective green deal customers will have additional protections. They will have the protection of an obligation for responsible lending, an obligation to ensure due consideration for the role of the ECO, and an obligation on the part of the lender for full disclosure. In addition, the warm home discount scheme will be available to pensioners.

We have anticipated the different scenarios that various hon. Members have rightly raised. The golden rule must be based on a cautious assumption of the levels of ongoing—not just historical—and future energy costs. That will also mean that ECO is triggered sooner rather than later in the calculation of the ability of a home owner to pay. As I have said, however, we cannot take all moral hazard out of the equation; householders must have some responsibility when they choose a type of property in which to live.

Huw Irranca-Davies: I return to moral hazard and the poor widow. If she has not discharged her normal duties of rationality and responsibility and has made an error, and finds herself in a property where she is lumbered with a bill that was designed for a different type of household entirely, does the Minister expect the green deal provider or the energy companies to deal with that compassionately? Would there be any recourse whatever for the unfortunate widow who has not spotted the moral hazard and has found herself unable to pay her bills?

Gregory Barker: I hope that they would deal with the case compassionately. The poor, unlucky woman would obviously have landed herself with a high council tax bill and high maintenance bills, and had moved into a property that she clearly could not afford. However, it is not the role of primary legislation to anticipate every single eventuality. As I say, the real defence lies in proper disclosure, responsible selling and a cautious model of lending under the golden rule.

Regarding interest rates, there was a question about other forms of credit. It is a priority to ensure that green deal repayments are as equitable as possible, not just for the initial bill payer, but for all future bill payers. The finance will run for decades. It is a complex area that needs to be looked at carefully, and we need to consult stakeholders in the financial community about it. It will not surprise the Committee to learn that we are still working on the detail of the permissible financial terms. We will consult on those in the autumn before introducing secondary legislation.

We will also consider whether to allow variable interest rates under the secondary legislation. We are mindful of the concerns raised by the hon. Member for Liverpool, Wavertree, and we will allow costs to vary only if the integrity of the golden rule is maintained—that is, if the consumer still sees higher savings as costs rise. We will not legislate to allow a situation where a variable interest rate might suddenly cancel out the savings that were hypothecated in the original green deal assessment. To ensure that we do not do that, we have to look at the matter more carefully.

Huw Irranca-Davies: I understand that the Minister will consult on the matter, but I am struggling to see the logic of what he is saying about variable interest rates. As the bills fluctuate and, potentially, under the Minister's argument, the savings become greater, one could see the interest charge increasing, because the savings to the consumer are greater. Will he expand on that? I know that he will consult on it, but it would cause us concern if that impacted on the individual who has entered into a deal. The original conception seemed to be about a fairly static level of payment, which would give certainty to the customer as well as the provider.

Gregory Barker: We need to try to move on, but this is an important point, and I will do my best to respond to it with the information that we have at the moment. A variable interest rate could be attractive for a consumer. However, we are mindful that such a rate will not be able to challenge the integrity of the golden rule. For the very reasons given by the hon. Gentleman, we will look to see what the variables within such a repayment proposition are. We cannot have arbitrary interest rates rising to capture unforeseen bonuses for companies; they should go to the consumer. However, in future years, when interest rates are at a different level, a more competitive form of finance might be more attractive to a consumer than a fixed rate. If interest rates are significantly higher in 10 years' time, a variable interest rate might be a more attractive proposition to a consumer. In an economic situation where interest rates are abnormally high, consumers will not want to lock into a fixed interest rate, but might want a variable rate. It is that flexibility that we are trying to anticipate.

Again, I remind Committee members that the programme will run for two decades. We cannot anticipate with any certainty what the economy will look like in the 2020s. We are trying to future-proof the programme and allow for flexibility while maintaining the absolute integrity of the golden rule.

12.45 pm

Huw Irranca-Davies: Let us flesh that out a bit, because it is vital. In the Minister's view, we might enter a situation in which a range of competitive finance deals are on offer. As we see with high-street financial services, providers could offer 1% or 2% below x for the first three or four years and then peg the rate to something. It is a fascinating proposal, but I urge caution. As he says, it will all fall within the golden rule. There is a level of competition, which is welcome, but also a level of complexity that has the potential to bamboozle customers.

Gregory Barker: We have said clearly from the outset that robust consumer protection will be at the heart of the green deal. We certainly do not want the financing model to deviate from that commitment, but I see no reason why it should. It is complex and will require further consultation, but I am happy to invite the hon. Gentleman to meet me and my officials to go through this complex proposition in more detail. Various models need to be considered and consequences stress-tested.

Luciana Berger: I am keen to ask a further question. On Second Reading, the ceiling on interest rates was mentioned by both Government and Opposition Members. I was taken by how many Members raised it. We now move to the second element of the interest rate: whether

it is fixed or variable. What measures are in the Bill to protect consumers and keep them informed, if the interest rate is variable, of changes in the cost of their finance deal package?

Gregory Barker: I am not absolutely clear what the hon. Lady means. If one signs up for a fixed interest rate, then it is fixed. If one signs up for a variable interest rate, it is variable. At the moment, we expect that it will be fixed. If there is an option for a variable interest rate, it must be communicated clearly to consumers. Ultimately, however, it comes back to the golden rule: the cap on interest rates. The golden rule will demand that the costs, taken together—whether the costs of installation, labour or financing—do not exceed the savings that will accrue to the home owner, whether the interest rate is variable or fixed.

The Consumer Credit Act 1974 has strong transparency requirements. The green deal, as I said earlier, is subject to the Act. A closer inspection of the Act would answer some of the hon. Lady's questions. On that basis, I commend the amendment to the Committee.

Amendment 1 agreed to.

Amendment proposed: 2, in clause 1, page 2, line 24, at end insert

‘, and

(c) recoverable as a debt by the relevant energy supplier from the person referred to in paragraph (a).’—
(*Gregory Barker.*)

Question put, That the amendment be made.

The Committee divided: Ayes 9, Noes 1.

Division No. 1]

AYES

Barker, Gregory	Perry, Claire
Brine, Mr Steve	Vara, Mr Shailesh
Freeman, George	Wright, Simon
Hendry, Charles	Zahawi, Nadhim
James, Margot	

NOES

Lucas, Caroline

Question accordingly agreed to.

Amendment 2 agreed to.

Caroline Lucas: I beg to move amendment 102, in clause 1, page 2, line 32, leave out subsection 9.

This subsection allows for the Secretary of State to disqualify some properties from being eligible for a Green Deal.

Right hon. and hon. Members will see my explanatory note to the amendment. I emphasise that I am deliberately inserting explanatory notes, because they are very helpful. The proposal for such notes came from the Procedure Committee, which was right to propose them, and I commend them to colleagues. As the note explains, the amendment seeks to leave out subsection (9), which would allow the Secretary of State to specify in an order a description of properties that are not eligible for the green deal.

The amendment is exploratory, because I have not yet seen any descriptions of properties that are not appropriate for the Government's flagship energy efficiency

[Caroline Lucas]

programme. I want to know their thinking behind the provision. Do the Government envisage that some types of homes or of commercial properties might not be eligible for the green deal? Are Ministers able to provide the Committee with a draft of an order that could be made under the clause? If not, and if the provision is included simply as a fail-safe for an as yet unknown scenario, will they instead choose not to provide for further regulations—the Government are seeking to minimise regulations—by leaving out the subsection?

I hope that, as a minimum, hon. Members will support my amendment 109, which would provide that all regulations or orders made under the chapter are laid before Parliament in draft, and approved by a resolution of each House before being made, to ensure that proper scrutiny is given to those important regulations.

Gregory Barker: Subsection (9) provides that a property is eligible for the green deal unless it has been excluded by an order made by the Secretary of State. Our starting point is that all properties should be eligible in principle. Subsection (9), however, enables the Government to exclude properties for which the green deal is unsuitable, should it be considered necessary to do so. It is unlikely to be sensible, for example, for a green deal plan to be offered for a property that is subject to a compulsory purchase order. We doubt it would be in green deal providers' commercial interests to offer a plan to that kind of property, because the provider has an interest in ensuring that the property is likely to exist for the duration of a plan. We want to consult, however, on whether we should rely on providers' commercial instincts, or whether it is necessary to exclude certain properties under an order. It is important that we retain the ability to exclude certain types of property, if it is appropriate to do so.

Graham Jones: I take on board the Minister's point. I thought that that was the reason. I would add planning applications to his example of compulsory purchase orders. I give that example not to help him, but to raise a real issue: what happens if people in the private rented sector, for example, use planning applications to prevent green deals going ahead? What happens if the mechanisms are used to exclude a property for the benefit of the owner, particularly in the private rented and commercial sectors?

Gregory Barker: If I have understood the hon. Gentleman correctly, that is not the intention behind the provision.

Graham Jones: Is it an unintended consequence that he is aware of?

Gregory Barker: It is not an unintended consequence that I am aware of. This is why we want to consult on the measure—to ensure that there are not any unintended wrinkles. It is not the idea that the Secretary of State should draw up a blacklist of properties that are to be excluded, except where there are good, rational grounds for doing so. Any order made under the subsection will be subject to the affirmative procedure. I hope that my explanation has reassured the hon. Member for Brighton, Pavilion, and that on that basis she will consider withdrawing her amendment.

Caroline Lucas: I am indeed relatively reassured. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Ordered, That further consideration be now adjourned.—(*Mr Vara.*)

12.56 pm

Adjourned till this day at Four o'clock.