

# PARLIAMENTARY DEBATES

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OFFICIAL REPORT  
GENERAL COMMITTEES

## Public Bill Committee

# ENTERPRISE AND REGULATORY REFORM BILL

*Fifth Sitting*

*Tuesday 26 June 2012*

*(Afternoon)*

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CLAUSES 1 to 6 agreed to.  
Adjourned till Thursday 28 June at Nine o'clock.

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**The Committee consisted of the following Members:**

*Chairs:* † HUGH BAYLEY, MR GRAHAM BRADY

- |  |   |
|--|---|
| † Anderson, Mr David ( <i>Blaydon</i> ) (Lab)  | † O'Donnell, Fiona ( <i>East Lothian</i> ) (Lab)  |
| † Bingham, Andrew ( <i>High Peak</i> ) (Con)   | † Ollerenshaw, Eric ( <i>Lancaster and Fleetwood</i> ) (Con)                                  |
| † Bridgen, Andrew ( <i>North West Leicestershire</i> ) (Con)   | † Onwurah, Chi ( <i>Newcastle upon Tyne Central</i> ) (Lab)                                   |
| † Burt, Lorely ( <i>Solihull</i> ) (LD)  | † Prisk, Mr Mark ( <i>Minister of State, Department for Business, Innovation and Skills</i> ) |
| † Carmichael, Neil ( <i>Stroud</i> ) (Con)   | † Ruane, Chris ( <i>Vale of Clwyd</i> ) (Lab)   |
| † Cryer, John ( <i>Leyton and Wanstead</i> ) (Lab)   | Simpson, David ( <i>Upper Bann</i> ) (DUP)  |
| † Danczuk, Simon ( <i>Rochdale</i> ) (Lab)   | † Smith, Julian ( <i>Skipton and Ripon</i> ) (Con)  |
| Davies, Geraint ( <i>Swansea West</i> ) (Lab/Co-op)  | † Wright, Mr Iain ( <i>Hartlepool</i> ) (Lab)   |
| † Evans, Graham ( <i>Weaver Vale</i> ) (Con)   | Wright, Jeremy ( <i>Lord Commissioner of Her Majesty's Treasury</i> )                         |
| † Johnson, Joseph ( <i>Orpington</i> ) (Con)   |   |
| † Lamb, Norman ( <i>Parliamentary Under-Secretary of State for Business, Innovation and Skills</i> ) |   |
| Morris, Anne Marie ( <i>Newton Abbot</i> ) (Con)   | James Rhys, Steven Mark, <i>Committee Clerks</i>  |
| † Mowat, David ( <i>Warrington South</i> ) (Con)   |   |
| † Murray, Ian ( <i>Edinburgh South</i> ) (Lab)   | † <b>attended the Committee</b>   |

## Public Bill Committee

Tuesday 26 June 2012

(Afternoon)

[HUGH BAYLEY *in the Chair*]

### Enterprise and Regulatory Reform Bill

#### Clause 1

##### THE GREEN PURPOSES

4 pm

*Question (this day) again proposed*, That the clause stand part of the Bill.

**Ian Murray** (Edinburgh South) (Lab): I hope that everyone has had a refreshing few hours off from what was an exciting and informative morning. Over lunch, I was struggling to remember what I had said before we adjourned, so I wonder if any Government Member would like to intervene on me to remind me, or whether I need to return to the start of my remarks.

**The Chair:** I assumed that you had almost finished.

**Ian Murray:** I was almost finished, and I want to conclude my remarks with a few points.

We were discussing the expertise in the Green investment bank, where it may and may not invest according to the Bill, and the refusal of our well-thought-out and well-delivered amendments, which were an attempt to be helpful in looking at some of the key issues. We were pressing the Minister to rule out public subsidy for nuclear, as was in the coalition agreement.

My final remarks will be about supply chains and who can benefit from the Green investment bank, which is a significant opportunity. In the next couple of weeks, and perhaps months, ahead, we will discuss how we can capitalise the bank, whether it will have enough initial funding and whether it is a bank or a fund. I want to press the Minister on how we can get some concessions on small and medium-sized enterprises, and on coming forward with a mechanism for looking at such matters on Report.

Our suggestions were made in good faith. We all agree with the Green investment bank—it was the previous Government who suggested such a bank, and it is nice to see that this Government are taking it forward. There is cross-party support for the policy. However, it is important that we grasp it with both hands. That means ensuring that the bank invests in the right areas and that when it does, the wider economy benefits.

In an intervention on my hon. Friend the Member for Vale of Clwyd, who was making a valuable contribution regarding the impact on Wales, I said that we have slipped down the league table on the issue quite considerably in the past two years. In May 2010, at the general election, we were sitting third in the league table on such matters, and now we are seventh or eighth. That tells us

that perhaps the ship has not quite sailed in terms of the Green investment bank and the impact that it could have on the country, but it is pulling out of the harbour. We need to find a way to ensure that we do not let that ship sail without us, at least in terms of getting the benefit of it. That is why we need to look at where and how the bank can invest under the Bill. It is pretty straightforward to include in the Bill a set of circumstances, which should be as broad as possible, in which the Green investment bank can invest, while ruling out things such as public subsidy for nuclear. It is key that it should be allowed to invest in things such as wave and new technology and research and development to ensure that the UK is at the forefront of the green revolution that everyone talks of.

The Minister has missed an opportunity to say to the small and medium-sized enterprises of this country that the Green investment bank will be set up to ensure that, at least in the provision of funds, they can benefit from it. That might unlock other forms of funding. As every member of the Committee knows and as one or two have said already this morning, the top priority for small and medium-sized enterprises is to get access to finance. Were there a provision in the clause to ensure that Green investment bank funds could be distributed through supply chains or to help small and medium-sized enterprises, that might allow commercial and high street banks to say, “If the Government are going to back SMEs in this sector, that will give us a little more comfort in our risk profiles, and we might want to release some finance as well.” There could have been a two-pronged assistance for small businesses.

I will leave my remarks there; our views are known. I reiterate my thanks to the Minister for ensuring that the Green investment bank is in Edinburgh. It is a shame that he will not be utilising all the expertise in Edinburgh by placing restrictions on where and with whom the bank can invest. I look forward to him ruling out public subsidy for nuclear because, while nuclear is incredibly important to the UK’s future energy needs, the Green investment bank should be positioning itself to support other technologies.

**David Mowat** (Warrington South) (Con): Is it the position of those on Labour’s Front Bench that the Green investment bank should not pursue opportunities in the nuclear supply chain, such as for Sheffield Forgemasters?

**Ian Murray:** I am delighted that the hon. Gentleman mentioned Sheffield Forgemasters. Let us not rehearse the earlier arguments of my hon. Friend the Member for Hartlepool, but the Government decision shortly after the general election not to invest in Sheffield Forgemasters was disgraceful, not only for Sheffield Forgemasters but for the wider Sheffield community and energy in this country. The hon. Member for Warrington South now argues from the position that we should set up a Green investment bank to plug the hole of that disgraceful decision by the Government.

**David Mowat:** I am not arguing from any position. I am asking whether the Opposition’s position is that the nuclear supply chain should be excluded and that companies such as Sheffield Forgemasters should not be able to get access to this finance. That is all I am asking.

**Ian Murray:** It is important to look at the provisions of the report and at the letter on priority sectors given to us by the Minister. Those priority sectors are clear: offshore wind power generation; commercial and industrial waste processing and recycling; energy from waste generation; non-domestic energy, including on-site renewable energy; and, if EU state approval is required—there is a letter clarifying that—things that will support the green deal. From those priority sectors, there is clearly no intention to support the nuclear sector. The Environmental Audit Committee made a strong recommendation on that. The sectors that need to be supported are those that are for the purposes of the Green investment bank and, clearly, people might think that nuclear power is not one of the purposes that it should be there for. In relation to the coalition agreement, we are asking the Minister whether the Bill rules out such subsidy under the Bill.

**David Mowat:** I shall take that as a no, then, and that is now on the public record as the Opposition position. In terms of the green mandate, subsection (1)(a) on the decarbonisation objective makes it extremely clear, in my view, that the nuclear supply chain is to be included, because as everyone in Committee knows, nuclear energy is the biggest form of low-carbon energy that we currently have. But I thank the hon. Gentleman for clarity on the Opposition position.

**Ian Murray:** I have yet to find “decarbonisation” in the Bill or among the priority sectors—that is not said. The purposes—

“the reduction of greenhouse gas emissions...the advancement of efficiency in the use of natural resources...the protection or enhancement of the natural environment”—

are there in the Bill for people to read, and no mention is made of “decarbonisation”. We are challenging the Minister on what he and the Secretary of State have failed to answer, in evidence to the Environmental Audit Committee and on Second Reading: does the clause rule out public subsidy for nuclear power? That is the question rightly being asked of the Government by the Opposition, and that is what we are pursuing. Does the hon. Gentleman wish to continue with this?

**David Mowat:** The hon. Gentleman has made it clear that Sheffield Forgemasters would not be in scope if the Bill were being administered and brought forward by the Opposition. I will ask the Minister later what his position is, but I thank the hon. Gentleman for his clarity.

**Ian Murray:** I am delighted that the hon. Gentleman wants to give clarity from the position of the Opposition—*[Interruption.]* Perhaps my reference to my hon. Friend the Member for Hartlepool as a former Minister means that we should be sitting on the other side and the hon. Gentleman should be questioning us. That would be the way to do it.

I had said that I would conclude, although the argument was drawn out slightly, but clearly what is needed is a robust bank that can invest in the sectors resulting in an improvement in the green economy in this country, so we end up at the forefront not only of Europe but of the world—a league table we have slipped down drastically. Many organisations, including the TUC and many of

the green groups from whom we have received written evidence, have said exactly the same thing; it has to be a bank that can invest in the areas that have maximum impact on energy and the green economy in this country.

**The Chair:** I know that one more Opposition Member wants to speak, but I would like to alternate if possible. There are no takers from the Government side, so I call Fiona O’Donnell.

**Fiona O’Donnell (East Lothian) (Lab):** I find the proceedings as exciting as watching the early heats at Wimbledon, and I am sorry that Government Members are apparently not as excited by the Bill as the Opposition are. I am delighted to follow my hon. Friends the Members for Edinburgh South and for Hartlepool. The debate really becomes interesting when we start talking about the scope of the Green investment bank. When he intervened on my hon. Friend the Member for Hartlepool—whom I prefer to describe as being between ministerial jobs—the hon. Member for Stroud said that we were getting away from what the Green investment bank is, but that is precisely the problem; we are trying to get into exactly what the Green investment bank is. One man’s complexity can be a woman’s clarity. [HON. MEMBERS: “Sexist!”] No, on the contrary; it could be vice versa.

I want to raise a couple of issues during this important and interesting part of the debate, one of which is carbon capture and storage. Given the direction of the Government’s energy policy, clarity about the Green investment bank is important. We have to raise many of these questions because the Government’s real problem when it comes to green and environmental issues is that Departments do not work together, and at times do not even talk to each other, so their approach is fragmented. We saw that clearly in the build-up to Rio+20.

One opportunity might be found by connecting the Green investment bank and transport policy. If we are going to have low-emission zones, for example, can we create jobs by retrofitting vehicles with devices that reduce emissions? Departments must ask where environmental policy is going in other Departments and how they might create opportunities for growth and jobs. The Green investment bank might be the catalyst for that.

**Julian Smith (Skipton and Ripon) (Con):** Do not the hon. Lady’s examples provide another good reason not to dictate in the Bill the types of projects that the Green investment bank should invest in? Is it not right to keep that on a principles basis, as we discussed earlier?

**Fiona O’Donnell:** There is a danger that we might get tied up in semantics. It is clear from the evidence submitted by the Aldersgate Group and others that they do not see that broad definition as a strength. They think that it might look like a lack of commitment from Government, and that it might not encourage investment in the sector. There is room for confusion and muddying of the waters. It is about joining up different Departments.

The Minister spoke about all decisions being based on merit. Not only is there merit in the economy, growth and job creation but there is social merit, which must be one element of the Green investment bank’s brief. The hon. Member for Warrington South did not join me when the Scottish Affairs Committee travelled

[*Fiona O'Donnell*]

to the Western Isles, but we saw there the benefit—my hon. Friend the Member for Hartlepool has mentioned this—of community projects. We need local government to work on providing more robust planning so that communities feel empowered and part of that agenda. Many coastal and island communities see tidal and offshore wind as an opportunity to bring jobs, growth and sustainability to their communities, and we need to ensure that they have certainty about whether the Green investment bank will be a route for them. Certainly on the evidence we took in the Western Isles they are finding it very difficult to secure finance for these kinds of projects. It also means that the community gains, because investment in those communities goes directly back into them and sustains them in the long term.

4.15 pm

There are also issues about harbours and the Crown Estate Commission and the Coastal Communities Fund. How will all this work? There is an issue for community groups in accessing funding, and whether or not they have the human resources and legal advice—again matters which my hon. Friends on the Front Bench have raised. How is the Green investment bank going to empower communities to access this? There was also a discussion about science, technology, engineering and maths subjects and whether we had the skills base. Is the Green investment bank or anyone else talking to the Department for Education about making sure we have the skills here, also the Home Office? I know that in Queen Margaret university in my constituency, many students who take up STEM subjects are from overseas, who will not now be able to remain in this country and work after graduation. Of course we want to encourage our own students to access this training if there are going to be opportunities, but in the short term, for people investing in this country, this can all create further uncertainty.

So I would certainly encourage the Minister to give us more detail and look at the helpful couple of ladders thrown his way by the amendments tabled by my colleagues on the Front Bench. This is an opportunity, not to narrow down this part of the Bill and take away the flexibility, but to give a clear sense of direction and clarity for investors out there and for communities.

**The Minister of State, Department for Business, Innovation and Skills (Mr Mark Prisk):** It is good to see you in your chair again this afternoon, Mr Bayley. Everyone had a refreshing break at lunchtime, buoyed by the news that the Chancellor has announced that we are scrapping the 3p fuel duty rise. I am glad the Labour party supports this measure.

**Mr Iain Wright (Hartlepool) (Lab):** Given the Chancellor's announcement in the House this afternoon, where does that fit into the green purposes in clause 1?

**Mr Prisk:** It fits into the broad agenda of enterprise and regulatory reform. It is a £500 million boost to motorists and I know that Members will wish to applaud that. Without wishing to stretch the Chairman's concern, quite rightly, let me return to focus on the clause. We have had a useful couple of contributions. It was started by the former Minister, who then became the veteran

Minister, sufficiently senior that he started well, started to ramble, then had to be asked to return to the subject in hand. There we are. It is possibly what happens in those circumstances.

**Mr Wright:** When you get to my age.

**Mr Prisk:** Indeed, and I think that is firmly on the record. Let me turn to the issues in hand because a number of important ones were raised. I start by saying that the green purposes in clause 1 are deliberately principles-based. As we have discussed earlier, the danger is that if you do not do that, the debate about what is in and what is out becomes almost impossible to resolve. That is because—as we have discussed—there is no universal consensus about the nature of what is green and what is not. So I say to the hon. Gentleman that our approach has always been principles-based. I also say that perhaps he has confused the green purposes in clause 1 with the initial priority sectors which we have put into the separate documents for the bank for the period to the end of March 2015. These are in the framework document and relate to the five sectors that he mentioned—offshore wind, domestic energy efficiency including the green deal, non-domestic energy efficiency, waste and energy from waste generation. Those are priority sectors, they are not the exclusive and exhaustive list in which the bank can invest.

As the framework document shows, the expectation would be that, in the initial period to 2015, 80% of investments made by the bank would be in those areas. However, let me be clear: those are not the only sectors. I have been asked about a number of issues, but let me say that there is not an exclusive list. Equally, it has to be right that Ministers do not seek to prejudge individual investment decisions and that therefore the projects are indeed—as the hon. Lady said—invested on the basis of merit.

When we turn to the question of whether carbon capture and storage is potentially an eligible sector, the answer is that it could well be, because it ticks at least a couple of the purposes. If I was asked whether it was going to be front and centre over the next couple of years, our estimation would be that it is unlikely that large-scale commercial development will be forthcoming over the next three to five years. If the question is would CCS be part of the potential package that the banks could invest in, the answer would be yes.

The hon. Member for Hartlepool went on to the important question of electric vehicles and storage. The answer to that would be similar; yes, it is a sector that has the potential to be invested in. Again, I am trying to ensure that as a Minister, I do not get to the stage where, because I am saying that this is something that should be invested in, it is assumed that any project that falls under that category is automatically appropriate for the bank to invest in. It must be right for the bank directors.

The hon. Gentleman then went on to ask about steel, particularly in the context of non-domestic energy efficiency. As I have highlighted, non-domestic energy efficiency and the technology around it is a priority sector between now and 2015, so the ability of those energy-intensive businesses in steel, for example, to be able to adjust to a lower carbon environment is important and we would expect to see that good projects that met the bank's criteria were considered by the bank's directors.

**Mr Iain Wright:** May I clarify what the Minister is saying? With energy intensive industries, of which steel is a very good example, the effects of some of the measures that have been brought forward in other Departments, such as the carbon floor price, could be mitigated by investment through the Green investment bank. Is that correct?

**Mr Prisk:** If they achieve an improvement in non-domestic energy efficiency and if the bank thinks that the individual investment before it meets the criteria it is looking for, then yes, absolutely. The hon. Gentleman will be aware that we have additional steps to help those who are reliant on electricity as an energy intensive industry. The package of some £250 million is already in place, so the answer would be affirmative on that.

**Andrew Bridgen** (North West Leicestershire) (Con): We have heard many suggestions of what the Green investment bank could be used for, but may I suggest that it should not be used as a replacement for conventional bank lending? What steps will the Minister take to ensure that the Green investment bank does not become a replacement for conventional bank lending on environmental projects?

**Mr Prisk:** The point, quite rightly, is that the bank has to operate on fully commercial terms. The other danger of displacement is one that we are alert to. The purpose of this is to ensure that there is an increased availability, particularly in the area of green technology.

The hon. Member for Hartlepool mentioned the issue of forests. Again, potentially, the bank could consider that, although there is not much evidence that there is a restriction in private investment in this field, but in the end it has to be a judgment for the bank. As I said earlier, the difficulty is that once we talk about a sector or a general type of activity, there may be a particular aspect of that that neatly fulfils the purpose but there may be other projects that do not. That is why it is wise for us to set the framework and the principles, and let the individual technologies be judged on their own merits. It is a similar issue for the trains. Clearly, Network Rail is in a position to, and does, finance track and infrastructure substantially. It could be the case that rolling stock might be possible, but it comes back to the question of whether a project would reduce greenhouse gases and whether the bank thinks that an individual investment programme is appropriate.

The hon. Gentleman raised an interesting question on the issue of research and planning. The bank is tasked not only with making investments but with facilitating and encouraging investments. That gives it a margin of discretion to invest in projects that it considers will help facilitate investments with green purposes.

The hon. Gentleman mentioned the issue of skills. I seem to recall that he gave us a short lecture on the importance of skills and manufacturing, and he was absolutely right, which is why we are establishing for the first time in this country the new university technical colleges and why we have substantially improved the number of apprentices.

**Mr Iain Wright:** We did that.

**Mr Prisk:** It is amazing how, out of government, they are still doing things. It is dreadful when dementia gets a hold. We could envisage that, as part of a broader project, training might form an important element, but the bank would have to decide. I am trying to clarify where I can without determining individual investment decisions in advance.

The question of the nuclear sector came up, and rightly so. As we have said, the legislation does not exclude sectors. The Government's position on nuclear power more broadly is clear. The agreement between the coalition partners says that we can have nuclear power plants as long as there is no public subsidy. That means that the bank could make fully commercial investments in nuclear, as long as it is not aid or subsidies. It is not anticipated at this stage that the bank will invest in nuclear in the short term, but that may change. That will be down to the directors.

My hon. Friend the Member for Warrington South raised excellent points on the supply chain. As long as the bank invests commercially when it looks at the supply chain behind nuclear technologies, it may be able to invest in nuclear plants, which will then obviously benefit companies such as Sheffield Forgemasters. That is an important distinction. It is a shame that, having been asked three times, we simply could not get anything resembling a clear answer as to whether—

**Fiona O'Donnell:** Will the Minister give way?

**Mr Prisk:** I will be happy for the shadow Minister to tell us whether the Labour party supports that point.

**Mr Iain Wright:** I am more than happy to intervene. I think my hon. Friend and fellow shadow Minister has made the position perfectly clear. There is an important point that needs to be clarified, but the Minister is skirting around it. He has mentioned on numerous occasions—the last time, a moment or so ago—commercial ventures. The Green investment bank will invest where there is a commercial opportunity. How does that reconcile with the point that we made earlier about new and emerging technologies that may not be commercially viable yet, but some degree of investment from the bank would help to push them over the line? Will the Minister clarify the position?

**Mr Prisk:** I will. The temptation is to say I will when I hear a straight answer from the Labour party on its own position, but I am happy to receive that hopefully some time this year. If the hon. Gentleman looks at the green purposes, he will see that one of the points of having, for example, (e) or (c), is about the longer term question. In other words, as I said earlier, there will be some emerging technologies that act as a bridge, or enable future opportunities to occur, which may not have an immediate payback in a straightforward commercial sense. The opportunity for the bank and directors to consider that is left there. They have to judge sound finances against green purposes, but it is likely that they will be looking at some of those future emerging technologies. I hope that we can get a clearer answer from the Labour party in due course.

**Fiona O'Donnell:** Will the Minister give way?

**Mr Prisk:** I am just going to proceed, if I may, with the question asked by the hon. Member for Hartlepool on environmental sustainability.

The United Nations has defined environmental sustainability as the longer-term ability of natural and environmental resources and ecosystem services to support continued well-being. It is fair to say that that is broad, and rightly so. It is important that the legislation is broad enough—in a way, it comes back to the point that we were just making about technological change—to ensure that future green technologies that have not been developed by our generation are able to be progressed.

Furthermore, such a purpose is a useful complement to the other green purposes, because of the long-term focus. It alludes to the point that the hon. Gentleman just made about whether the bank will be able to look beyond immediate returns. This is particularly likely where there are more innovative technologies at the demonstration phase, where a project may not achieve a direct green impact in line with the other green purposes, but may develop the capability and know-how to do so in future. That again is where the use of paragraph (e) allows the bank to consider something where, perhaps in a more straightforward commercial sense, they may take the view that the return is not immediate enough.

The statutory green purpose to promote environmental sustainability will provide the longer-term benefit that will help some of the emerging technologies to which the hon. Gentleman referred.

**Ian Murray:** I am very grateful to the Minister for giving way, because there seems to be a circular argument going on. The Minister is saying quite clearly that the provisions of the Bill will cover some of the emerging technologies, but the Secretary of State has consistently said that they have to be commercially viable. The argument that Opposition Members are trying to express is that commercial viability does not necessarily mean that the bank will invest in the upcoming technologies of the future, but that it will perhaps invest in existing technologies. That is where the nuclear argument comes in, as opposed to Pelamis, which does research and development on wave and tidal technology in my own city of Edinburgh.

4.30 pm

**Mr Prisk:** I do not think that is a problem; it is merely a question of when the return comes. Most commercial investors would look for a fairly immediate return. The advantage of the bank, if it is to be a long-term enduring institution, is that it can look to the longer term. The benefit of the promotion of environment sustainability is the long-term framework, rather than some of the other elements in the clause.

**Mr Iain Wright:** Will the Minister give way?

**Mr Prisk:** I am very happy to give way if the Labour party would just give me an answer as to whether it agrees with us on the nuclear question.

**Mr Wright:** I reiterate that I think my hon. Friend the Member for Edinburgh South made our position entirely clear. On the important point made by my hon. Friend, does the Minister agree with the submission from the

Institute of Chartered Accountants in England and Wales—an august and fantastic body, of which I am a member:

“We are also concerned that without the right remit the Green Investment Bank may have a tendency to fund investments which are less risky. This would fail to address the issue of a lack of funding for capital-intensive green technologies, particularly those in their early stages, which are seen as too risky by existing banks and investors”?

**Mr Prisk:** Well, I agree with the idea that if the bank were to be wholly risk-averse, that would be a problem, but I do not believe that that will be the outcome of the combination of the legislation and the operational independence undertaking. Certainly, in looking at how such institutions have developed, the fact that we are giving the bank the opportunity to be a genuinely long-term enterprise will allow it to take a long-term view. That is the challenge, because most people would regard the question to be whether the commercial return is immediate or is actually achieved in the long term.

The absence of any clarity from the Labour party on that issue is a great shame, but there it is. The clause sets out the broad green purposes that are designed to create a long-term framework within which the bank can operate as an enduring financial institution. On that basis, I commend the clause.

*Question put and agreed to.*

*Clause 1 accordingly ordered to stand part of the Bill.*

## Clause 2

DESIGNATION OF THE UK GREEN INVESTMENT BANK

*Question proposed,* That the clause stand part of the Bill.

**Mr Iain Wright:** I was keen to catch your eye, Mr Bayley, because we are now moving on fast.

**The Chair:** We certainly are.

**Mr Wright:** The clause sets out the two conditions that must be met for the Secretary of State to be able to designate the Green investment bank. Subsection (2) gives the first condition, namely that the Secretary of State must be satisfied that the Green investment bank's articles of association will ensure that it engages only in activities that achieve one or more of the green purposes set out in clause 1. Subsection (3) sets out the important second condition that the Secretary of State must give the Green investment bank an undertaking that it will operate independently—the so-called operational independence undertaking—to allow the directors to carry out work and make investments without overt interference from the Government. The Minister has so far been relatively clear on that. Subsection (4) states that such an order may not be made unless the Green investment bank is wholly owned by the Crown. I hope that you consider this an appropriate time to discuss the ownership of the bank, Mr Bayley; I shall do that in a moment.

The Government's helpful document, “Update on the Design of the Green Investment Bank”, which I think was published in May 2011, states:

“The Department for Business, Innovation and Skills, via the Shareholder Executive... will be the GIB's sole shareholder.”

That is straightforward but earlier, on page 21, the Government state:

“The GIB will initially be owned by the Government and will operate as a separate institutional unit at arm’s length and with full operational independence.”

I want to focus on the word “initially”. In the context of that document, and given subsection (4), is it the Government’s intention to sell shares in the Green investment bank, at any time? In what circumstances would Crown ownership of the bank be diluted? I do not want us to get ahead of ourselves, although we have quickened the pace dramatically this afternoon, but how does clause 2(4) reconcile with clause 4(1)? The latter provision states that

“the Secretary of State may, with the consent of the Treasury, give the UK Green Investment Bank financial assistance at any time when”

—this is the key point—

“the Crown’s shareholding in it is more than half of its issued share capital.”

In addition—I do not wish you to rule me out of order, Mr Bayley; I think that this point is relevant here—clause 4(3)(d) states that financial assistance is possible for

“the purchase of share capital of the Bank”.

Will the Minister, therefore, in his summing-up, say a bit more about that, and explain the circumstances in which shares in the Green investment bank will be sold?

Can the Minister explain the rationale behind clause 2(5)? It states:

“An order under this section may not be amended or revoked.” Presumably, such a prescriptive provision is included to provide greater assurance that the Secretary of State, or indeed Parliament, would not interfere or tinker with the operational running of the Green investment bank, but is the subsection wholly necessary, given what the Minister has said? Does the provision need to be in the Bill, given that clause 3(1) covers the process for the alteration of the bank’s objects?

The Opposition have not tabled an amendment to subsection (6), which is on the power in subsection (1) being subject to a negative resolution of Parliament, largely because we wish to progress as fast as we can, on what we consider to be a large, disparate and rag-tag Bill. However, in the interests of ensuring the best possible parliamentary scrutiny, we would prefer that the power were subject to the affirmative procedure. If necessary, we will ensure that such an amendment is tabled on Report, but I sincerely hope that it will not come to that.

On that basis, will the Minister state why subsection (6) makes the power subject to the negative procedure, and whether he would be willing, during the passage of the Bill, to change that, to ensure that the provision could be subject to affirmative resolution? That would also apply some consistency with clause 3(4), which warrants—welcome news that this is—the use of the affirmative procedure.

**Fiona O’Donnell:** I apologise to my hon. Friend for taking him so far back in his contribution, but on share ownership, does he agree that the Minister should make it clear whether shareholders could be foreign investors or individuals, or whether they would have to be either individuals resident in this country or companies registered here?

**Mr Wright:** That is an interesting and important point, and I hope that the Minister is able to address it.

I said in my opening remarks that I would be interested in the latest statement on and status of the treatment of the Green investment bank in the national accounts. I recall the terror that I held as a former—that word again—Housing Minister, when the Office for National Statistics was contemplating changing the status of registered social landlords. That is the only time I had a sleepless night as a Minister. I vividly recall that the amount of Government control is the key test that the ONS employs, and the same applies with the Green investment bank.

The ONS will consider such factors as the appointment of directors, who determines the organisation’s strategic direction, the independence of the board, and sources of funding, and on all those criteria it seems fairly clear that the Green investment bank is a public sector institution. Can the Minister confirm that that is the case for the purpose of the national accounts? The fact, for example, that the directors’ ability to manage the company is somewhat more restricted than in other companies, through the shareholder relationship framework document, is, I think, confirmation. We will come on to this under clause 4, but does that not really restrict the ability of the Green investment bank to grow? Does it not show the Treasury’s control, and its unwillingness to cede that control? The bank’s balance sheet would always remain small, and the bank would not have the transformational effect that we need.

The Environmental Audit Committee recommended that the Government actively seek advice from the ONS on choosing the best model. What dialogue has there been between the Minister, his departmental officials and the ONS in relation to the Green investment bank?

I hope that the Minister will be able to answer those questions satisfactorily. This is an important clause and I look forward to hearing his response.

**Mr Prisk:** This is, indeed, an important clause, which, in a way, helps to unlock some of the later clauses. I will explain the clause in detail and respond to the points raised by the hon. Gentleman.

The purpose of the clause is, as the hon. Gentleman has suggested, to ensure that the two key governance constraints are imposed on the bank in a way that is consistent with its status, which, as we have already learned, is that of a Companies Act company. Once those two conditions have been met, the Secretary of State may designate the bank by order. Designation will trigger the application of clauses 3 to 6, including the power in clause 4, which I am sure we will get to at some stage, for the Government to then fund the bank over the long term.

The first condition required for designation is that the Secretary of State should be satisfied that the bank’s statement of objects in its articles of association is drafted in terms that will ensure that the bank engages only in activities that contribute to the statutory green purposes that we examined carefully when debating clause 1. As is usually the case with a Companies Act company, the bank’s statement of objects frames the duties of the bank’s directors.

[Mr Prisk]

The second condition is that the Secretary of State has laid a copy before Parliament of his operational independence undertaking to the bank. Once the Secretary of State has made the designation, the order can be amended or revoked. The hon. Gentleman raised reasonable questions about that and I will address them specifically later.

I will address individual subsections of the clause, because the hon. Gentleman has raised specific points. Subsection (1) is designed to ensure that the proposed legislation introduces constraints on the governance of the bank. The bank was formed as a company because of its status as a Companies Act company with an independent board—that is an important point to bear in mind. That will ensure that the bank can operate commercially in the market at arm's length from Government. That is a balance that we need to strike.

It is important that the institution should be viewed as market-based and commercial, in order to command the credibility of the markets in which it operates. Furthermore, the Companies Act structure is appropriate for the institution because its objective is by means of a demonstration effect to galvanise and, in some cases, to unlock private sector investment in the green economy.

In addition, the Companies Act structure is flexible and allows us to move more quickly to establish the bank. The recently appointed directors—the chair, Lord Smith, and the deputy chair, Sir Adrian Montague—are, therefore, already able to begin considerable work in building the bank's operational capability in readiness for state aid approval. It is imperative that the legislative proposals for the bank do not depart widely from or, for that matter, conflict with its status as a Companies Act company. The effect of subsection (1) is that the bank's directors, as well as the investors in the wider public, will have full clarity with respect to the bank's legal framework, governance and obligations. Despite additional constraints imposed by the proposed legislation, the bank's constitutional documents and company law will provide the reference point against which its powers and duties can be defined.

I will come in a moment to the question of the sale of shares and ownership—those two things go together—but first I will touch briefly on subsection (2), which will lead me to the point that I want to make. The subsection requires that the Secretary of State is satisfied that the Bank's statement of objects is drafted in terms that will ensure that it engages only in activities that contribute to achieving one or more of the purposes in clause 1. I referred earlier to the bank's statement of objects, which we have discussed. The statement of objects echoes the language of the green purposes and provides a constitutional limitation on the purpose and the range of the company's activities, which its directors are obliged to respect.

Subsection (2) should be read—I think that the hon. Gentleman made this point—alongside clause 3 to appreciate the full effect. Clause 3 prevents the bank from changing the statement of objects. Changes to the objects are only possible either when they are ordered by a court or when approved by the Secretary of State by means of an order—in this case, one that is adopted via an affirmative resolution of Parliament. Any changes to the bank's statement of objects approved by the Secretary of State must remain consistent with one or

more of the green purposes. The fact that the approval of the Secretary of State will be achieved via an affirmative resolution of Parliament will set a much higher level of scrutiny in relation to any proposed changes.

4.45 pm

Clauses 2 and 3 ensure that the bank will remain permanently bound to its green mission. That is the governance element, and in some ways it would have been helpful if we had debated that before we got to the green purposes. However, people can now see the green purposes and the Government's arrangements.

The question of ownership is important. The hon. Gentleman asked in what circumstances we would envisage the sale of shares. We have no plans to sell the Green investment bank—neither under this Government nor during this Parliament. Clearly, we cannot tie the hands of future Governments or Parliaments, but in answer to the hon. Gentleman's question about the circumstances in which we would envisage such a sale, as the current Government, we do not envisage such circumstances.

We need to establish the bank to leverage private investment into the green sector—enabling private capital in the shareholding of the company would be the ultimate success in this mission. In the longer term, therefore, the legislation is designed to enable the opportunity for the injection of private capital. People will recognise that that possibility is important.

The hon. Gentleman asked an important question about subsection (4). I will save the Committee the joy of subsection (3) in detail, but subsection (4) states that an order can only be made under it if

“the UK Green Investment Bank is wholly owned by the Crown.”

That effectively precludes private sector entities from contending that they qualify for designation. This clause is principally about where we are now, and how we initially designate the bank. In that context, it is not about future designations; it is about managing the establishment of the institution. Subsection (4) guards against suddenly confronting the danger of a private entity seeking that designation.

On subsection (5), I was asked specifically about an order not being able to be amended or revoked. We believe that permitting revoke of the designation would be inconsistent with our stated aim of creating an enduring institution. It was quite clear from different discussions with many people in the financial and environment markets that the ability to revoke—effectively to shut the operation—would leave a large question mark in people's minds about the long term of the institution. We felt that it was right to make the clear statement that the intention of the legislation, of the Government and, I assume, the Labour party—certainly given its public statements—is that the UK Green investment bank should be an enduring institution. That is the thinking behind the subsection.

On subsection (6), the hon. Gentleman asked about scrutiny. The subsection determines that the Secretary of State's ability to designate the bank by order should be subject to negative resolution of Parliament. Today we are debating this particular designation, and rightly so, and that will be the case when the Bill goes to the other place, and throughout its passage. Because the clause is currently being scrutinised, we felt that the idea that we should then have an additional and affirmative

resolution for an order that we have already discussed in detail was unnecessary. If it were the view of both Houses that that was not the case, I would be quite willing to reflect upon that. I am not going to make a commitment at this stage, but how does the hon. Gentleman think that an additional affirmative discussion—a further Committee—in both Houses would add to the scrutiny that we can achieve today?

**Mr Iain Wright:** My general principle, and I think that the Minister would share my thoughts on this, is that any way in which Parliament can actively and positively scrutinise proposed changes from the Executive is a good thing. As I said about clause 3, a degree of consistency would be helpful. I just wonder whether, in his helpful remarks, the Minister would reflect on the possibility of introducing measures to improve the scrutiny exercised by this place and the other place, and the consistency in the clauses.

**Mr Prisk:** I certainly will reflect upon that. I need to consult my colleagues and discuss that. My instinct at the moment and from what has been said is that our procedure in the Bill is correct, and the hon. Gentleman has not tabled an amendment, but I will reflect on the matter. The steel hand is still in the velvet glove, but we may take that glove off. We may decide that it is a glove in its own right but, to use the hon. Gentleman's metaphor, I will have a reflection. I take the point, and I will reflect on whether it is necessary. I certainly want to ensure that Parliament's ability to scrutinise what we are doing is thorough, but I want to make sure that I have not misunderstood, or failed to take into account any practical issues around ensuring that we get the bank up and running. That is my priority. I will definitely consider the point.

Clause 2 ensures that legislation applies to the bank in a way that is consistent with its status as a Companies Act company. We believe that the flexibility of the commercial structure, as set out in the clause and to a degree in clauses 3 and 4, will help to create the market confidence and, in conjunction with the statutory green purpose and the undertaking of operational independence, will enable the Green investment bank to fulfil its role as an enduring financial institution.

**Mr Iain Wright:** May I press the Minister on the point about discussions with the ONS? Given my advancing years, I may have missed it, and I apologise for that. I want to know about the status of the Green investment bank within the national accounts, and whether discussions have taken place between officials in his Department and the ONS. As I said in my opening remarks, it seems that in respect of the appointment of directors, setting up the strategic direction, and the provision of capital, this is very much a public sector institution. Will the Minister elaborate on that?

**Mr Prisk:** I am happy to elaborate on that point. We were getting so excited by the negative and affirmative resolutions that I may have slipped past the point, so I am grateful to the hon. Gentleman for the opportunity to put the position on the record.

The current position is that the bank is a Government-owned body, and is likely to be designated a non-departmental public body, but the future position is

that the ONS is prepared to consider, and we are discussing, whether it might classify the bank as a public financial corporation if it is able to raise finance commercially. We wanted to get the thing up and running, and then to discuss this. I certainly take the hon. Gentleman's point. That is the current position, and the future position is still being discussed.

*Question put and agreed to.*

*Clause 2 accordingly ordered to stand part of the Bill.*

### Clause 3

#### ALTERATION OF THE OBJECTS OF THE UK GREEN INVESTMENT BANK

*Question proposed,* That the clause stand part of the Bill.

**Mr Iain Wright:** We are now whizzing through the Bill at a fair old speed, and I hope that that is energy-efficient. Clause 3 sets out that the Green investment bank cannot amend the statement of objectives in its articles of association unless one of two things occurs. Under subsection (1)(b) the alteration may be undertaken by the Secretary of State, but subsection (1)(a) states that the objects cannot be altered unless

“the alteration is made to give effect to an order of a court or other authority having power to alter the Bank's articles of association, or

(b) the making of the alteration has been approved by the Secretary of State by order under this section.”

I am intrigued by subsection (1)(a). Can the Minister give an example of what might constitute the courts or other relevant authority exercising such a power? Is there a precedent for that in other comparable organisations? Forgive my ignorance, which is general lack of knowledge, but can the Minister outline when that has happened? Will he also define and specify the other authorities as outlined in subsection (1)(a)? Again, it may be my reading of the legislation, which I am sure is my failing, given my advancing years, and I am sorry for taking up the Committee's time, but I think it is time we slowed down somewhat, given our dizzying pace and progress. I am unclear about the precedent. As far as I can see, subsection (1)(a) has equal status with subsection (1)(b) as there is no relationship between the two subsections. They are linked not by the word “and”, for example, but by the word “or”.

Subsection (2) states that the order under this section cannot be made unless the

“the condition in subsection (3) is met.”

Subsection (3), in turn, states that the Secretary of State must be satisfied that the objects of the Green investment bank remain consistent with the green purposes set out in clause 1. Is my understanding and reading of the legislation the correct interpretation? I am keen for the Minister to answer this direct question: what happens in the event of the Secretary of State not agreeing with the decision of the courts or other authority, as per subsection (1)(a)? In those circumstances, would the Secretary of State's motion to Parliament via the statutory instrument recommend that both Houses disagree with the court or other authority? For my benefit, rather than for the benefit of the rest of the Committee, it would be helpful to understand the linkages and priorities contained in the clause. Therefore, if the Minister can provide further

[Mr Iain Wright]

clarity and possibly provide further examples, that would be very helpful to my understanding of the clause.

**Mr Prisk:** Clause 3, as the hon. Gentleman suggests, prohibits the GIB from altering “its objects in its articles of association”, subject to two exceptions, which are set out in subsections 1(a) and 1(b). Subsection 1(a) simply acknowledges that the jurisdiction of the court cannot be ousted. The hon. Gentleman asked for a particular example of that instance. It may well be that, perhaps on a technical matter, the court may find that the bank’s objects do not comply with community law. That is a possibility; it is a good example of that description.

Similarly the hon. Gentleman asked about the possible clash. The court’s decision could override the Secretary of State’s approval on the grounds of European law. That has supremacy, as we know; that is established, and it is the existing position.

The key exception is set out in subsection (1)(b), which gives the bank some flexibility to make changes to its statement of objects in the future, as long as they are

“approved by the Secretary of State”.

The order is subject to the consent of both Houses of Parliament. Without that subsection, the bank would never be able to propose changes to its current statement of objects. Therefore, the flexibility for the bank is carefully balanced with a need to ensure that its activities will not go beyond the green purposes set out in clause 1, which we discussed earlier.

The hon. Gentleman touched on the issue of subsection (3), which ensures the Secretary of State’s approval of the bank’s proposed changes is conditional on the Secretary of State being satisfied that the terms of the clause, as amended, will ensure that the bank only engages in activities that

“contribute to the achievement of one or more of the green purposes”

that are set out in clause 1. That means that even if the Government dispose of some or all of their shareholding in the bank, a future majority shareholder cannot approve a change to the bank’s statement of objects to allow it to invest in activities that are not green.

We consider that it is vital that the UK Green investment bank always remains a green institution. Clearly it would be contrary to the coalition commitment and to the principle that we have established that the Green investment bank might one day deviate from that green mandate; I think that we have touched on that issue in earlier debates.

On that basis, I am happy to commend the clause to the Committee.

*Question put and agreed to.*

*Clause 3 accordingly ordered to stand part of the Bill.*

#### Clause 4

THE UK GREEN INVESTMENT BANK: FINANCIAL ASSISTANCE

**Mr Iain Wright:** I beg to move amendment 6, in clause 4, page 3, line 19, at end add—

‘(7) The Secretary of State shall provide the European Commission with notification in accordance with state aid procedures that it is the intention of the Secretary of State to allow the UK Green Investment Bank to borrow from the capital markets.

(8) The duty in subsection (7) must be fulfilled no later than 30 June 2013.

(9) It is the duty of HM Treasury to permit the UK Green Investment Bank to begin borrowing from the capital markets no later than 31 December 2013, or one month following state aid approval having been received, whichever is the earliest.’

This is a very important amendment, Mr Bayley, so I hope that you will allow me a little time to set out the context in which we would like to see the UK Green investment bank have the power to borrow somewhat earlier than the Government currently anticipate.

My hon. Friends and I think—and we are not the only ones who think this—the ability to borrow is fundamental to allow the GIB to achieve the ambitions that I think we all share for it. Borrowing is essential for it to be able to leverage the necessary scale of finance from the private markets. It would be unreasonable to expect that the state and public money could solely provide the finance to help achieve all that we want to achieve in the transition to a new low-carbon economy.

I have just mentioned the word “scale”, and it is very clear that the scale of the economic challenge and the scale of the potential and opportunities are really immense, if not unprecedented. In giving evidence last week, Sarah Veale of the TUC said that it is estimated that we will require something in the region of £200 billion in the run-up to 2020, which is only eight years away, to ensure that we can meet the environmental and climate change targets set in current legislation and decarbonise the British economy. And crucially—given that we are discussing an enterprise Bill, which is supposed to be concentrated on enterprise and on improving Britain’s competitiveness and prospects for economic growth—that investment could help us to ensure that this country’s comparative advantage in some green industries is maintained, enhanced or developed.

5 pm

Ernst and Young, in its October 2010 report “Capitalising the Green Investment Bank” states that the total funding required for the UK to implement its low-carbon agenda is estimated to be approximately £450 billion up to 2025. The report also states that “traditional sources of capital” are calculated to provide only £50 billion to £80 billion over the same period, meaning that there is a funding gap for decarbonising the economy of approximately £360 billion.

The scale of the resources that are needed is vast, but equally, the opportunities for the British economy and for British industry are also huge. The global low-carbon energy market could be worth an estimated \$2.2 trillion by 2020.

Other countries have grasped the huge opportunities. China’s 12th five-year plan, approved last year, identifies seven so-called strategic emerging industries, of which at least three are concerned with energy, sustainability and the move to a green and low-carbon economy. Those three strategic emerging industries are: new energy, including nuclear, wind and solar; clean-energy vehicles; and energy conservation and environmental protection, which includes carbon-emission reduction targets. Beijing

has pledged to prioritise the emergence and development of those strategic emerging industries over the lifetime of the five-year plan through the aid of tax breaks and beneficial procurement policies, which sounds familiar.

China is pushing to increase the proportion of its energy needs provided by non-fossil fuels to 15% by 2020. Let us put that investment into perspective. As part of its 12th five-year plan, China expects to invest some 3 trillion yuan, which is equivalent, on today's currency valuations, to £303 billion, in energy, environmental protection and clean energy protection in the next three years alone. Given that the Green investment bank might have £3 billion over the lifetime of this Parliament, which I will come on to in a moment, the Government are putting forward less than 1% of the money that the Chinese authorities are providing.

**Julian Smith:** The hon. Gentleman makes a strong argument, but from where does he plan to get that additional money? If, as he argued earlier, this is beyond the Government's balance sheet, how will that affect the perilous and appalling financial position that we are in?

**Mr Wright:** I am keen to set out closely what I have been saying from the start. There are huge challenges to decarbonising the economy, and there are huge opportunities if we can ensure that British firms are at the forefront of this. If the hon. Gentleman can be slightly more patient, I will come on to the concerns that he has raised.

Last year, for the first time, India invested more in clean energy than the UK. Last week the Committee heard that KfW in Germany distributes some €25 billion each year to clean technology projects. KfW is able to do that by raising 90% of its funds from the capital markets, with the remaining 10% coming from the Federal Government. Crucially, the British Government are preventing the bank from borrowing, which would allow additional private sector money to be leveraged into investment in the green economy.

In the United States, the green stimulus undertaken as part of the American Recovery and Reinvestment Act of 2009 resulted in additional jobs and innovation benefits. In the UK, the evidence suggests that the transition to a low-carbon economy could generate employment and economic benefits.

**Andrew Bridgen:** Will the shadow Minister give way?

**Mr Wright:** Let me finish my point.

The Renewable Energy Association and Innovas estimate that there were some 110,000 jobs in the renewable sector last year, but that could rise to 400,000 jobs by 2020 with the right combination of economic stimulus and policy framework. There are huge opportunities. Does the hon. Member for North West Leicestershire agree that we need to embrace those opportunities as quickly as possible?

**Andrew Bridgen:** Does the shadow Minister not agree that the Green investment bank is a new entity? It is a new project and its board of directors has not yet been appointed. Would it not be prudent, in the words of one of his previous leaders, to see how this new entity performs before we throw huge amounts of extra money at it, or it is allowed to borrow more money?

**Mr Wright:** If the hon. Gentleman looks at the specifics of the amendment and the timetable envisaged, he will notice that we thought long and hard about that. I shall come on to that in a moment.

The transition to a low-carbon economy is one of immense capital intensity. It demands high up-front costs, then the payment of dividends over perhaps a much longer term than has been seen in business models over the past century or so. That is a challenge for markets which focus on performance over shorter time frames, and to be fair to the Minister, he acknowledged this most eloquently in some of his considerations today. However, I am hugely concerned—let us get back to the very basics of an enterprise Bill—that the significant competitive advantage that the UK enjoys in the low-carbon economy will be lost due to the absence of available capital. Nick Mabey, in giving evidence to us last week, went even further, and he stated bluntly:

“The UK is behind the curve...in terms of delivering the machinery to deliver investment, it is behind everywhere else we work—pretty much western Europe. That is where we are. This makes up for the fact that we do not have a development bank to help the process, unlike the Germans, the French and the Dutch”.—[*Official Report, Enterprise and Regulatory Reform Public Bill Committee*, 21 June 2012; c. 177, Q266.]

Mr Cherry from the Federation of Small Businesses told the Committee in quite explicit terms:

“The problem we have with this is, first, we have reservations about whether there is enough money to support the Green investment bank going forward, and we think that a lot more money probably needs to go into it to ensure that it works comprehensively”.—[*Official Report, Enterprise and Regulatory Reform Public Bill Committee*, 19 June 2012; c. 15, Q39.]

**Neil Carmichael (Stroud) (Con):** *rose*—

**Mr Wright:** The hon. Gentleman is a proud supporter of manufacturing across the UK. He will agree with the concerns that have been raised by industry.

**Neil Carmichael:** With that introduction, I have to stand up. Thank you, Mr Bayley, for allowing me to speak.

**The Chair:** No, the hon. Gentleman is allowed to intervene.

**Neil Carmichael:** Yes, indeed. Is it not possible that someone wanting more money than the Green investment bank could give under the terms currently stipulated could go to the capital markets themselves for a top-up without giving the Green investment bank, at this point, the additional burden of debt, which the Government are anxious to avoid until we have cleared our deficit?

**Mr Wright:** Absolutely, but it prompts the question, what on earth is the Green investment bank for? Presumably one thing is that it is trying to correct market failures. There are huge opportunities, but the capital markets, for a variety of reasons—not least, the business model I mentioned, high up-front capital costs, a low pay-back time in terms of many years—need policy certainty. That is the whole *raison d'être* of the Green investment bank, as far as I understand it, and we need that kick-start to ensure that we can get more money put in to what is a fantastic opportunity for the UK economy.

[Mr Iain Wright]

[*Interruption.*] The hon. Gentleman seems anxious to get back on his feet. Does he agree with me? Because if they can just go to the capital markets now, why are we debating this? What on earth is the point of the Green investment bank?

**Neil Carmichael:** I think that we heard evidence earlier in this process which proves that very point—the Green investment bank will be able to take on some of the bigger risks—and that is right, because we heard from one or two experts that that is what they thought the Green investment bank would and should do. It will be a catalyst for the kind of investment that we need to see, but it cannot necessarily spend the whole £200 billion which the hon. Gentleman set out in his earlier remarks. That is simply not possible, even if it could leverage in money before he wants it to. The Government are right, I am sure he will agree, to be cautious—since we have already agreed that they are essentially the owners of the bank—about putting themselves at greater risk than necessary until we sort out the deficit.

**Mr Wright:** Well, let's not call it a bank, then. Let's call it what it actually is at present: a fund. A bank has the ability to borrow. This will not have the ability to borrow, so it is not a bank. I am more than happy to call it the Green investment fund, and I welcome the £3 billion that will be available over the lifetime of this Parliament, but we will miss a huge opportunity for the British economy. If we think about the sectors in which Britain could lead the world in 2020, 2030 or 2050, the low-carbon economy is one of them. At the moment, we have a huge competitive advantage, but as a result of the undercapitalisation of the fund, we are missing a trick. That is the point that the amendment is trying to address.

The hon. Gentleman rightly said, “If somebody's got a good idea for a somewhat risky innovative product, why doesn't it just go to the capital market?” It is true. Pension funds have hundreds of billions of pounds that can be invested. They are currently invested more or less in gilts, which provide a low return or even, with high inflation and low interest rates, negative returns. In those circumstances, green or low-carbon investment could offer an attractive alternative, but what it needs is policy certainty and a kick-start from Government.

I suggest that the private sector is seeing record low levels of business investment, and it is forecast to stay low. I also suggest to the Minister that the Government's macro-economic policy is making matters much worse by removing demand from the economy with an emphasis on deficit reduction and austerity. Businesses are postponing investment, banks are restricting credit and households are cutting spending. The economic policy pursued by the Government is threatening to prolong the recession. I know that you ruled me slightly out of order this morning, Mr Bayley, but the publication today of the fact that the Government borrowed £17.9 billion in May compared with £15.2 billion the previous year shows the failures of the current economic policy.

In normal circumstances, if the economy were operating at capacity, there would be a risk that green jobs could replace other jobs and green investment might crowd out other investment, but in the current phase of the economic cycle, when resources throughout the economy—

households, business investment, consumer spending—are underemployed, any investment in green technologies could provide additional help to correct the balance. There is no danger in those circumstances of crowding out alternative investment or displacing jobs elsewhere in the economy.

**Fiona O'Donnell:** Does my hon. Friend think that part of the issue is that at least one half of the coalition Government is averse to intervening in the markets? We have seen proof in the Government's incentivisation of the film industry. They took a long time to change their mind about the computer games industry, but if we want growth, Government—the state—must intervene in the markets.

**Mr Wright:** My hon. Friend makes an incredibly pertinent point. Good, effective, successful modern economies such as Switzerland, Singapore or Sweden have active Governments who work side by side with productive businesses. In many ways, Government can help set the markets by incentivising or kick-starting them. There is an opportunity to do so here, but we seem to be missing a trick.

It is a matter of urgency. As I said, there are huge opportunities, but if we delay, it will be much more expensive in the long run. The International Energy Agency has stated that every \$1 not invested today will cost an additional \$4.30 after 2020. It will cost the economy a huge amount if we do not grasp the opportunity now. I have read the coalition agreement—and kept awake—which states that

“the Government expects green growth to be a major future driver”

of a rebalanced economy. We agree. Green investment is part of the solution to economic recovery, not part of the problem. We need to get it up and running as soon as possible.

Nick Mabey said to the Committee last week:

“The Green investment bank is sized well below its potential”.

That will reduce its ability to innovate in the markets and in the creation of new products. David Powell from Friends of the Earth summed it up best when he said in his evidence to us last Thursday:

“The bank could and should be the engine of the green economic recovery. It could and should be a conduit for the investment that is looking for a home to find the green investment in the billions that we need. The way it is currently envisaged, there is too much risk that it will not be the engine that it needs to be, and we are very concerned about that.” —[*Official Report, Enterprise and Regulatory Reform Public Bill Committee*, 21 June 2012; c. 112-113, Q254.]

5.15 pm

There is a huge opportunity for the Green investment bank to act as an effective bridge between traditional capital and what is required for funding innovative products. The Minister included that point in his remarks. However, I am not certain that the current capital arrangements allow it to be such a bridge. The Green investment bank has a budget of £3 billion, I think, although I will question the Minister on that in a clause stand part debate, if I can, and although that is welcome, the Government must acknowledge that the bank is not a big player. As a result, when it comes to getting a place in the global low-carbon economy, Britain will underachieve. Our competitive advantage is

in danger of being undermined unless we act now, boldly. There is a need to leverage extra resources from the capital markets.

**David Mowat:** Will the hon. Gentleman give way?

**Mr Wright:** Before I go on to the Liberal Democrat manifesto, I am more than happy to give way.

**David Mowat:** The hon. Gentleman is a better man than I am. I was interested in his comments on underachievement and our leadership position. In 2010, we were 25th of 27 countries in the EU, in terms of take-up of renewable energy. The only two who came lower down were Malta and Cyprus. We need the Green investment bank to get us further up that league table. However, it is wrong to pretend that we are in a massively brilliant position thanks to how we were left in 2010. I repeat that we were 25th out of the 27 countries in the EU. That is not a great legacy.

**Mr Wright:** I will defer the delights of the Liberal Democrat manifesto 2010 for a moment. I will respond to the hon. Gentleman's intervention, which was correct and appropriate. We are slipping down the league tables and have done so quite alarmingly over the past two years. According to the Pew Environment Group, when Labour left office in 2010, the UK was ranked third in the world for investment in clean technologies. Where are we now? We are seventh. In addition, in 2011 the UK did not make the top 10 lists for annual clean energy capacity installations or five-year growth in renewable energy.

The Pew report warns that the Government must end the mixed messages on clean energy:

"To maintain growth, the UK must provide consistent, long-term market signals that provide certainty to investors."

We agree with that; does the hon. Gentleman?

**David Mowat:** I do. My point was that, if we were going through the catalogue of achievement, in 2010 we were 25th out of 27, notwithstanding the points that have been made. All I am saying is that the Green investment bank as designed is part of a project to catch up on that position. The hon. Gentleman talks about slipping down the league table; we have only Cyprus and Malta to go. Let us be clear about where we are starting from.

**Mr Wright:** The point I am trying to make is that we do have a competitive advantage in a number of sectors in the green economy. We need to take advantage of that. Other nations realise that the green economy is a driver for economic growth. There needs to be a greater sense of urgency. I want to work closely with the Minister on this. There is a window of opportunity that is closing faster than the Committee is considering the clauses of the Bill. We need to act fast and boldly, because our successors will think about the subject, debate it in the House in 2020 or 2030, and say, as we did in the 1980s in relation to onshore wind technology, "We were market leaders in this, but lack of Government support meant that we slipped behind other nations, and the likes of Germany and Denmark are taking our place." That should not be allowed to happen. We should ensure that we are at the forefront of the global green industrial revolution.

**Chris Ruane** (Vale of Clwyd) (Lab): Why and how is it that the Government claim to be the greenest Government ever? Does my hon. Friend agree that if we believed that, we would be the greenest Opposition ever?

**Mr Wright:** That is a good point. I do not think that we are as naive as that. The Minister will correct me if I am wrong, and I do not want to mislead the Committee, but it is interesting that, in the two years or so that the Prime Minister has been in office, he has not made a single speech about the environment. I think that that is correct. I know that the Committee is anxious to hear about the Lib Dem manifesto. Is the Minister keen to talk about it? If so, I am more than happy to give way.

**Neil Carmichael:** I am not the Minister, and that is not a document that I know as well as others do, but does the shadow Minister agree that the fact that we are introducing the Green investment bank is a signal of our commitment to being green? What about the green deal, which is another huge step in the right direction of greening the environment? Various other measures that we have taken include the Energy Act 2011. Does he agree that they are joined-up, consistent and emblematic of a green Government?

**Mr Wright:** I like the hon. Gentleman, who almost said that with a straight face, but he knows that there is a lack of joined-up thinking on the matter. Energy policy and the links with business have been an absolute mess. I cite as an example the feed-in tariffs decision, with no consultation with industry. The Government provided no certainty and no ability for industry to adapt to the changes. It means that that capacity has been lost, in some cases for ever. We need to move away from that, and provide long-term certainty now. He mentioned the Green investment bank. We have made it clear that we support the principle. We want the bank to work, and to ensure that it is in the markets, intervening for the British economy, but the policy needs to go a little further, a little faster, so that that can happen.

**The Chair:** Order. Before we proceed, I remind colleagues that we are discussing the Green investment bank. It is relevant to discuss intentions in any of the parties' manifestos to promote green investment, but doing so as widely as we have done in the past few minutes goes a wee bit too wide.

**Mr Wright:** I take your guidance as gospel, Mr Bayley.

**Ian Murray:** I think that we are getting to the nub of the initial clauses. The Queen's Speech was supposed to herald a new era of growth in this country, and this was meant to be the pinnacle Bill. If the Government had said from the outset that the Green investment bank would be a proper bank, able to borrow, would not that have showed commitment to an era of growth?

**Mr Wright:** Absolutely. I fully agree with my hon. Friend.

**Julian Smith:** Will the hon. Gentleman give way?

**Mr Wright:** Yes. Hon. Members seem to want to put off my comments on the Lib Dem manifesto. I thought that the hon. Gentleman might be particularly keen to

[Mr Iain Wright]

hear them, given that the Lib Dems and his party are close partners in government. However, I am more than happy to take an intervention.

**Julian Smith:** I am just checking at what point in his speech the hon. Gentleman intends to deal with the questions that I asked at the start. The amendment proposes more borrowing for our country, and we cannot afford it. Will he address that? If so, at what point in his speech?

**Mr Wright:** As I mentioned in the context of some of the investments that the Green investment bank needs to make, the hon. Gentleman must be a little more patient before he receives payback. I am more than happy to give way to him again if he will condemn the Chancellor for ensuring that we had additional borrowing last month as a result of the Government's failed economic policies. He does not seem to want to intervene.

We now come to the Lib Dem election manifesto. [HON. MEMBERS: "Hear, hear!"] That must be first time that it has ever been cheered. However, this is a serious point. The party pledged to set up a United Kingdom infrastructure bank to use public money to attract up-front private investment. The manifesto states:

"Start with government seed funding which it—the proposed UK infrastructure bank—can use as a capital base to borrow against."

There is scope to adopt the same principle with the Green investment bank now. We are keen to help the Liberal Democrats achieve their ambition. We could be supportive of the Lib Dems—that is not a statement I make every day. I hope that the Minister will say how he is helping to ensure that his close partners in government realise their election manifesto.

I want to talk about certainty, and the deferral of decisions due to policy uncertainty. I have huge concerns that senior industrialists are holding off on investing in the UK due to the Government's dithering and delay, and the lack of certainty. GE Energy's managing director stated:

"Our investment is on hold until we have certainty and clarity regarding the policy environment that we are in... One of the most important things for us is political certainty, so we can justify the business and investment case for a facility in the UK. But we think there are some [political] headwinds which do not help, especially in terms of the subsidies discussion."

Similarly, in my closing speech on Second Reading, I quoted the chief executive officer of Vestas, the world's largest wind turbine maker. He said:

"The most important issue that our customers have is a long-term policy framework that is required to put in these investments, which are huge",

but

"we have not had reassurance from the government".

Only on Friday, we heard that Vestas has scrapped its plans to manufacture wind turbines at a new plant on the Isle of Sheppey, meaning that the area has lost the chance to create 2,000 good, well skilled jobs, rebalanced into the manufacturing sector and very important for the area. That announcement was not a bolt from the blue. The company had made it very clear, as far back as August, that without subsidies or assistance from the Government, it would not invest in the UK.

The hon. Member for South Thanet (Laura Sandys) is very knowledgeable about such areas. She worked in the energy industry before coming to the House, she serves on the Select Committee on Energy and Climate Change, and she is a Kent MP. Following the announcement, she said:

"Vestas' decision will have been a commercial one but it also suggests a lack of confidence within the industry over the government's commitment to the green economy and crucially offshore wind. The market needs certainty from government if it is to deliver the thousands of jobs and billions...of investment that could secure our economic recovery."

I agree with every word that she said. That enormous potential, which requires huge resources and the need to lever in private money on the back of Government support, and the sense of urgency and certainty required to attract investors into a growth area for the British economy, is the context behind amendment 6.

The amendment would provide clarity and compel the Government to notify the European Commission by 30 June 2013 at the latest, as required, of their intention to allow the Green investment bank to borrow from the capital markets. Following such notification, the amendment would compel the Treasury to permit the Green investment bank to begin borrowing from the capital markets no later than 31 December 2013, or one month after state aid approval has been received, whichever is earliest.

On state aid, I appreciate that the Government submitted a draft notification to the Commission on 30 November 2011, and, from all accounts, matters seem to be progressing well. From the letter that the Government provided to Committee members last Thursday, I understand that Ministers intend to respond to the Commission's points as quickly as possible, with a view formally to submitting a revised application in July. Some people seem a bit concerned, given that we will be in July on Sunday—I know that because that is the day I am going to see the Stone Roses at Heaton park in Manchester. [Interruption.] They are a popular beat combo, m'lud. I hope that I am not ruled out of order, but one of the Stone Roses's songs is "She Bangs the Drums". The lyric is:

"The past was yours  
But the future's mine.  
You're all out of time".

That is very fitting for the Government.

Moving away from the Stone Roses for one moment, when the Minister responds, will he outline for the Committee when such a formal application will be submitted and, prior to that, what the Commission's main areas of contention are that could hold up approval? We thought long and hard about the timetable in the amendment. The Opposition are concerned that the timetable envisaged by the Government does not have the sense of urgency required.

5.30 pm

**Fiona O'Donnell:** I am very grateful to my hon. Friend, although I am tempted to call him "Sweet Child o' Mine". Does he not think that there has never been a more important time for the Government to show that they know what they are doing in one area at least? They did not know what they were doing with pasties, static caravans, fuel duty or skips, but when it comes to green investment, they could finally send the right message.

**Mr Wright:** I agree wholeheartedly with my hon. Friend, with one exception: the lyric that she cited is by Guns N' Roses, not the Stone Roses.

A statement on the Department for Business, Innovation and Skills website sums the current situation up well:

“The Green Investment Bank is being funded to the extent that it will not need to borrow before 2015. After that it will be given borrowing powers if the targets for reduction in national debt are being met.”

Every word of that paragraph drips with a curious blend of complacency and ambiguity. It is clear that the bank is not being funded sufficiently to deal with the opportunities and the challenges, as I hope I have demonstrated in my remarks. Witnesses last week certainly seemed to make that point very directly. Moreover, as I suggested, given the Government's failed economic policies, which have pushed the country back into recession, it is by no means clear that borrowing for the bank will be permitted by 2015 or 2016, according to the Government's rules.

I have mentioned today's publication of the borrowing figures, which is relevant. We face a decade of stagnation in economic activity, caused by austerity, and resulting in falling tax receipts. That will not allow the Government to pay off the debt and deficit as they originally planned. The Government and Chancellor have had to borrow £150 billion more than anticipated, and today's month-on-month figures show additional borrowing, so the prospects for the bank being able to borrow according to the Government's rules by 2015 or 2016 do not seem high.

**Julian Smith:** Can the shadow Minister confirm to the Committee whether he would borrow more now for the Green investment bank? This Saturday, he may hear a tune by the Stone Roses called “Tightrope”, which was one of their hits from 1994. Is that his way of achieving the difficult balance between financial management and green investment?

**Mr Wright:** I have huge regard for the hon. Gentleman on the back of that comment, particularly as “Tightrope” is on “Second Coming” rather than the debut album. I like the fact that he seems to know his stuff.

All I would say to the hon. Gentleman is that he should read our amendment. We thought about the timetable for it clearly. We are saying, “Not now”—although that could be a preferred option—“but let's go through the correct processes and think about an appropriate time, subject to all the challenges that need to be faced.” If possible, that would be 31 December 2013, providing a middle ground that we think would be appropriate, in terms of the tightrope that would need to be walked.

The Office for Budget Responsibility said in its “Economic and fiscal outlook” of March 2012 that there was only a greater than 50% chance that public sector net debt would fall as a proportion of gross domestic product by 2015 or 2016. That does not sound particularly reassuring for the bank's ability to borrow, and I assert to the Minister that the probability is less now than it was in March.

**Ian Murray:** I am not a Stone Roses fan, so I will not even attempt a lyric. However, the point I want to make, and seek my hon. Friend's comments on, is that the

Environmental Audit Committee's documented report that was unanimously approved on the Green investment bank back in March 2011 stated clearly that it desperately needed to have borrowing powers if it was to be a game-changer in the green economy. That was unanimously agreed by many people on the Environmental Audit Committee who also sit on this Committee, including the hon. Member for Stroud. Does my hon. Friend the Member for Hartlepool have any comments on that, given that some members of the Committee agree with the points that he is espousing? Will those Members support us on the amendment?

**Mr Wright:** I absolutely agree with what my hon. Friend said, but I lament the fact that he is not a Stone Roses fan. The point I am trying to make is that the matter is urgent. There is a narrow window of opportunity, which is closing rapidly, and the Vestas decision has shown that all too clearly in the past few days. The Opposition are keen to work with the Government to provide a clear timetable for investors that would not mean a loss of competitive capacity from the country, and we want to work with the Government to ensure that the Bill encourages enterprise in the leading sectors of the future. On that basis, I hope that, in the interests of the British and low-carbon economies, the Minister will look favourably on the amendment.

**Mr Prisk:** Gosh. I was reminded by my wife that as a middle-aged man I should never talk about my pop music choices. I cannot work out whether the hon. Gentleman is still the former Minister or the veteran Minister. I dread to think what he will be wearing when he goes to this event, but I wish him well. I always think it is one of those things that young people look upon with a degree of horror. At least we were saved from the singing; that is possibly the one consolation in that discussion.

**Mr Wright:** I am happy to intervene.

**Mr Prisk:** The only chance is that his singing might have been more harmonious than the economic analysis we were given. I did not notice at any point a mention of the enormous—indeed record—debt that we inherited. To be lectured by a party that left the worst Government debt in my lifetime on the prospects of one month—

**Mr Wright:** That is a long time.

**Mr Prisk:** 50 years is a long time. When I listened to that, I thought, “It is all very well to say that we should be borrowing more and doing this, but it is a shame.” It is a particular shame because there is an important issue here that people outside this room are concerned about: how the financial powers will work. It is a shame that there was a pitiful attempt to pretend that there were no borrowing issues, and that tomorrow we could simply borrow because the money was available. It is a real shame, because there is an important issue at the heart of this.

**John Cryer** (Leyton and Wanstead) (Lab): Is the Minister aware that at the time of the last election, both the deficit and unemployment were falling? They are now both rising. The Office for Budget Responsibility,

[John Cryer]

the body set up by the Government, predicts that the deficit will be £180 billion larger at the end of this Parliament than was predicted at the time of the last election.

**Mr Prisk:** With respect to the hon. Gentleman, the other thing that we did not hear from the Labour party was mention of the eurozone. According to Labour Members, the only reason businesses are lacking in confidence is entirely to do with the UK's economic policies: there is nothing going on across the channel, it is all calm, they are enjoying their summer holidays and everything is entirely relaxed. When I deal with businesses on a weekly basis, seeking to encourage them to invest in green projects and elsewhere, they constantly refer to the international financial climate, particularly the eurozone, as the reason for hesitating over investing. I had hoped we would have a balanced debate on this issue, but let us address the amendment before us, because that is what matters.

On that basis, it will not come as a surprise to the hon. Gentleman that I intend to resist this amendment for two main reasons. First, the Government's approach to the bank's future borrowing is the right one. Secondly, legislation is not the right mechanism to govern the bank's borrowing. There are important issues which those wanting to look at the commitment of financial support for this institution are looking to hear about. Before I address these arguments in turn, let me restate that the coalition Government are committed to the UK Green Investment Bank growing into a successful, enduring green financial institution.

The hon. Gentleman was right to flag up the scale of the challenge. He mentioned £200 billion. I think £220 billion is the number that many people talk about to move the UK into a sustainable green economy. The challenge is made all the more difficult by the innovative and long-term nature of green infrastructure, as we have discussed before in this Committee. Sometimes it is investment that can deter private sector investors. That is why the Green investment bank is one of many projects that we as a Government have established. My hon. Friend the Member for Stroud mentioned the green deal—absolutely; the £700 million from the Technology Strategy Board going into low-carbon innovation; the £150 million going through the Energy Technologies Institute; the £1 billion coming back to carbon capture and storage; and of course the £150 million going through the Narec technology and innovation centre on offshore renewables. All these are very important and all part of a wider picture. It is also why we need the bank to develop into a permanent part of the UK's financial system, to complement all the other measures that the coalition Government are using to make sure that we achieve our targets.

I think that we agree throughout the House on the importance of the bank's success, the question is really how we get there. In last year's Budget, the Government committed to fund the bank with £3 billion to 2015, which will provide it with a strong injection of initial capital to make its first investments as a new institution. I mentioned earlier that already in this financial year £775 million has been identified, and £180 million already announced and committed through UK Green Investment,

and that will grow—next year £1 billion, the year after £1.25 billion—so the total of £3 billion is there and ready to be invested.

The Government also committed that the bank will borrow from April 2015—subject, yes, to the public sector net debt falling as a percentage of GDP. Its borrowing could take a number of forms, including from the capital markets. Let me take the chance to stress to the Committee and to those who follow such matters that the commitment is firm. For the bank to be an enduring green financial institution, its future borrowing is vital. I strongly believe that this deferred ability to borrow will not affect the success of the UK Green investment bank. The bank needs to focus first on consolidating its expertise, building up its credible track record and indeed building its balance sheet.

The hon. Member for Hartlepool referred to a number of stakeholders who gave evidence to us. In particular, I was interested in what Mr Paul Lee of Hermes said in answer to the hon. Gentleman's own question about whether borrowing should occur before 2016:

“I actually think that there is enough funding available before that date for the bank to do anything that would realistically be needed, so that probably is not an issue.”—[*Official Report, Enterprise and Regulatory Reform Public Bill Committee*, 19 June 2012; c. 48, Q95.]

As the bank develops its expertise, we expect it to expand its investment activities considerably, through its future borrowing powers as well by recycling the returns from commercial green investments. The issue of timing is important. I note—as the hon. Gentleman mentioned—that European development banks are investing billions of pounds in green technologies. I think he referred to a figure of €25 billion for KfW, and the European Investment Bank is looking to make investments of around £18 billion. What was not mentioned, however, was that unlike the Green investment bank they are not new institutions: KfW was set up 60 years ago under the Marshall plan of 1948 and the European Investment Bank was set up in 1958. What they have done, wisely—it would have been great had this country done it earlier—is to build up considerable expertise, so that they are now at the stage at which they have those power houses that we seek to emulate. If we get this right and do not rush it, the UK Green investment bank, too, will be of that scale in due course, but is important that we do not try to run before we can walk. Without carefully building the expertise and securing credibility in the commercial markets, the long-term impact of the bank could be undermined. That is why I do not agree with the Opposition amendment that would require the bank to borrow from capital markets no later than 31 December 2013.

Let me address why the bank borrowing from 2015 is subject to a test of public sector net debt fall. It is right and proper that the bank's ability to borrow is subject to the test of our public finances. Given the financial crisis and the size of the debt, it would be irresponsible for the Government to do otherwise, especially given the uncertainty in the eurozone. If we were to vote for the amendment, we would effectively put into primary legislation something that we could not change at just the moment when we do not know our financial outcomes or those in the financial markets more broadly. We would lock ourselves in and that would be foolish.

**Simon Danczuk** (Rochdale) (Lab): The country is calling out for some ambition and for active government—manufacturing wants investment and there is a requirement for capital. Over the past two years the Treasury has introduced a range of policies that has pushed the country back into recession—a double-dip recession—and that means, as my hon. Friend the Member for Hartlepool pointed out, that the Government have to borrow an additional £150 billion to £180 billion. Why is the Department for Business, Innovation and Skills so cautious and so careful in countering the Treasury? Why is BIS not fighting the Treasury to say that we want more money and more investment for manufacturing and for this Green investment bank?

5.45 pm

**Mr Prisk:** With respect, we are supporting industry and manufacturing. Indeed, the success of encouraging the investment of £4 billion in the automotive industry in the last two years, despite one of the most difficult financial environments, is something of which I am proud. We are battling, and we are ensuring that we secure that investment. We will only achieve a long-term economic improvement, if I can stray slightly from the Bill to answer the hon. Gentleman's question, if we make sure that we get our finances right. The poor souls who live in some of the eurozone countries now find that no matter what they do their interest rate bill continues to rise because they are not regarded as creditworthy. That means that they will be on the back foot for a decade or more. That is the balance.

Returning to the specific point on the amendment, the hon. Member for Hartlepool does not seem to recognise that the nature of the UK's public accounting rules means that the borrowing of a bank in public ownership appears on the Government's balance sheet. That matter seemed to be tucked away; I did not see any recognition of that from the Opposition. The most accurate way to account for the bank's impact on the national finances is to put the figures on the balance sheet. We saw a lot of off-balance sheet activity under the previous Government, and that is not the right way to do things. It is important to ensure that the system is sound.

It is on that basis that the Government will seek state aid approval from the European Commission in respect of the bank's borrowing before the end of this Parliament. That is our intention, it underlies the amendment and it is what many people are looking for. That is a commitment that Ministers have set out and that we will stick to. We believe that the £3 billion funding to 2015 is appropriate and that the plan to borrow thereafter, on the basis that I have said, is right. It will ensure that in years to come, the GIB has the best chance of becoming a future KfW or similar. The danger of putting into primary legislation a commitment to borrow in a year hence, when no one in this Room can actually say what the financial circumstances will be, would be imprudent. On that basis, I urge Members to resist amendment 6.

**Mr Iain Wright:** The Minister is a good performer, and I enjoyed listening to his speech, but I disagree with him. As I said in my opening remarks, we need to have a greater degree of urgency to grasp the enormous opportunities that exist. If we think about the six or seven sectors in which Britain could lead the world in 2030 or 2040, the low carbon economy is one of them,

but the window of opportunity is narrowing very quickly. By setting out a clear framework, without the ambiguities of current Government policy, this amendment would allow investors to think that there is some degree of certainty there that borrowing would allow us to leverage up additional capacity to be able to exploit those commercial opportunities in the long run.

I stick by my amendment because it provides a good middle way—not borrowing now, but putting in place procedures in the medium term to ensure that the Green investment bank can borrow for the benefit of the British economy. On that basis, and given the strength of feeling on the Opposition Benches, I will, with respect, disregard the Minister's response and test the opinion of the Committee.

*Question put, That the amendment be made.*

*The Committee divided: Ayes 8, Noes 10.*

#### Division No. 4]

#### AYES

Anderson, Mr David	O'Donnell, Fiona
Cryer, John	Onwurah, Chi
Danczuk, Simon	Ruane, Chris
Murray, Ian	Wright, Mr Iain

#### NOES

Bingham, Andrew	Lamb, Norman
Bridgen, Andrew	Mowat, David
Burt, Lorely	Ollerenshaw, Eric
Carmichael, Neil	Prisk, Mr Mark
Johnson, Joseph	Smith, Julian

*Question accordingly negatived.*

*Question proposed, That the clause stand part of the Bill.*

**Mr Iain Wright:** I am buoyed up by the fact that we are closing the gap. Politics is all about momentum, and I am confident that if I keep the Committee here for long enough I will be successful in one amendment.

This is an important clause about the funding of the Green investment bank, and I have a few questions for the Minister. We have talked about the £3 billion that the bank will have at its disposal, but I am not convinced that that is true. The Minister mentioned the funding in response to the amendment that we have just considered. My understanding is that £3 billion may be pledged over the lifetime of this Parliament. The spending review in 2010 stated that the Government would capitalise the Green investment bank with £1 billion by 2013-14, together with proceeds from the sale of Government assets. With only £1 billion available until 2013, I understand that the rest will be provided for in 2014-15 onwards. Have I interpreted that correctly? Nothing was mentioned in the Budget beyond a cursory sentence about the matter, so I want to press the Minister on this. To a large extent, we have accepted the figure of £3 billion, but is that correct? What is the spending profile in each year, starting from this year and moving forward to 2015?

**Mr Prisk:** I am happy to answer that straight away. The commitment is £3 billion in funding to March 2015. It is £775 million, as I said earlier, in the current financial year. It will be £1 billion in the next financial year, and £1.225 billion, totalling up to £3 billion over three years.

**Mr Wright:** That is very helpful. I thank the Minister for that. Could he also outline to the Committee how some of these investments, and perhaps more importantly, the nature and principle of the investments, might work? When giving evidence last week, Paul Lee seemed to strongly suggest that what is required from the markets is—this word again—certainty for the Green investment bank to be an effective communication channel between the Government and the markets, especially to ensure that there is consistency in regulation right across Whitehall and probably largely the EU as well, and for the bank to take on the risk on behalf of the private sector.

In evidence, responding to questions from me, Mr Lee said that the structure of investments could be where the Green investment bank took on

“the top layer of risk, leaving a more secure return for the private markets”—[*Official Report, Enterprise and Regulatory Reform Public Bill Committee*, 19 June 2012; c. 47, Q94.]

That would be almost like bond returns. Is that how the Minister anticipates that the bank will operate? Will he give us further details? I draw attention to the excellent publication from his Department about the update of the design of the Green investment bank. That gives a number of scenarios when it comes to investment. Will the Minister elaborate on that matter for the Committee’s deliberations?

I have two quick questions on funding for the bank. The Bank of England is printing money through quantitative easing. Could that mechanism be used for the purposes of the Green investment bank? Could the Bank of England—I recognise that it is independent from Government—channel some of the additional money that has been printed into a green investment bond, and then the Green investment bank would in turn use the money raised to invest in long-term sustainable innovative assets? What does the Minister say about that?

My final question is simple. What happens if the bank is in financial difficulties? Will the Government bail out the Green investment bank? Given that its risk profile will probably be higher than comparable financial institutions elsewhere, and it will therefore be more at risk of running out of money because of cash-flow problems, will the Government pledge to bail out the bank?

**Mr Prisk:** I will address the particular points about the bail-out, the Bank of England and the types of investment. If the hon. Gentleman looks more carefully at clause 4(3), he will see that it is quite specific about grants, loans, guarantees and so on. I hope that gives him some idea of the financial assistance.

In the previous debate, the hon. Gentleman raised a relevant question about state aid, which I omitted to answer. As I said earlier, in the Budget we committed to put £3 billion into the bank. It needs to be able to make commercial green investments with that funding as swiftly as possible, and as soon as state aid approval is received from the European Commission. In response to his specific point, at the beginning of this month, the Commission confirmed that the proposal to operate the UK Green investment bank appears to be capable of being approved, subject to satisfying the Commission’s outstanding concerns. We aim to respond to those concerns as quickly as possible. We are finalising our revised notification, and we will get that back to the

Commission. In timetable terms, that means that we are aiming for the bank to be fully operational this autumn. That timetable is firmly in line on the question of state aid.

The hon. Gentleman mentioned Mr Lee in the context of the financial issue. To support the UK economy in this transition period, it is important to bear in mind that it has been argued that section 228 of the Banking Act 2009 provides legal vires for it to fund the Green investment bank’s initial set-up and investment activity prior to Royal Assent for the Bill. Although we feel that reliance on the 2009 Act is justified prior to the Bill being enacted, we do not think that it is appropriate for the bank over the long term. The clause therefore provides the Government with the express *sui generis* power to fund the bank in the longer term. We think that will enable the bank to become an enduring part of the UK’s financial system and architecture.

In terms of the range of financial products, although the clause lists a number, the way I would look at it is that there will be a choice of debt guarantee and equity. Each of those will have a number of different characteristics but the bank will certainly be in a position to deliver those products, and that is what it will look to do. I am sure that the hon. Gentleman will understand that, ahead of the bank being formed, I cannot predict the mix of assets—indeed, I cannot guess what the bank directors may decide.

The hon. Gentleman asked about a guarantee. An unlimited guarantee to the bank would, in effect, be unquantifiable state aid, and therefore would not be approved. We intend that the bank would function commercially, and a guarantee would undermine that. That is an important point.

A fundamental issue of the clause is the broader matter of the borrowing and, having considered that, I ask colleagues to agree that the clause should stand part of the Bill.

*Question put and agreed to.*

*Clause 4 accordingly ordered to stand part of the Bill.*

## Clause 5

### THE UK GREEN INVESTMENT BANK: ACCOUNTS AND REPORTS

**Mr Iain Wright:** I beg to move amendment 7, in clause 5, page 3, line 24, at end add—

“(2) The UK Green Investment Bank must ensure that—

- (a) all studies or assessments conducted in the preparation of a business plan, and their accompanying terms of reference,
- (b) all written correspondence exchanged between the Government Shareholder and the Board, and
- (c) all key operational documents, including internal working documents of the Bank relating to investment decisions,

are made available on a website maintained in accordance with the requirements of this section, subject to the exemptions specified in subsection (3).

(3) Information contained in documents required to be disclosed by subsection (2) may be withheld or redacted by the Bank where in the reasonable opinion of a qualified person—

- (a) its disclosure would prejudice the commercial interests of any person (including the Bank),
- (b) its disclosure would, or would be likely to, inhibit—

- (i) the free and frank provision of advice to or within the Bank,
- (ii) the free and frank exchange of views within the Bank for the purposes of deliberation,
- (c) its disclosure would otherwise prejudice, or would be likely otherwise to prejudice, the effective conduct of the Bank's business,
- (d) a claim to legal professional privilege or, in Scotland, to confidentiality of communications could be maintained in relation to it in legal proceedings, or
- (e) its disclosure—
  - (i) is prohibited by or under any enactment, or
  - (ii) would constitute or be punishable as a contempt of court,

and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

(4) The documents specified in subsection (2) must be made available on the Bank's website or a website that is maintained by or on behalf of the Bank.

(5) Access to the documents specified in subsection (2) on the website must not be—

- (a) conditional on the payment of a fee, or
- (b) otherwise restricted, except so far as necessary to comply with any enactment or regulatory requirement (in the United Kingdom or elsewhere).'

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

New clause 4—*General disclosure requirements*—

'The Freedom of Information Act 2000 (c.36) is amended as follows— In Part VI of Schedule 1, after the words "The Great Britain China Centre", insert— "The UK Green Investment Bank".'

**Mr Wright:** The purpose of the amendment and the new clause is quite straightforward.

In the wake of the global financial crisis, in which financial institutions were rightly criticised for exercising inadequate scrutiny across the world, it is right that any financial institution now has the highest possible levels of transparency, accountability, scrutiny and banking ethics. Even more so when the Green investment bank is the first financial institution, the first public bank, to be created in modern times. We are keen to ensure—I believe that the Minister shares this objective—that, from the very start, the UK Green investment bank has the highest standards, allowing for meaningful debate, assessment and scrutiny as to how the bank is being managed, its success in achieving its green purposes, and the manner in which it arrived at investment decisions, subject to the important point of commercial sensitivities and considerations. That, in essence, is the purpose behind amendment 7. The amendment would ensure that all working papers and studies undertaken in the preparation of the bank's business plan, as well as all written correspondence exchanged between the Government and the board, were made available on a website that was freely accessible by the public.

6 pm

Similarly, we propose new clause 4 to tidy up legislation, to use a phrase that the Secretary of State inappropriately used on Second Reading. That tidying up would ensure

that the UK Green investment bank was included on the list of institutions subject to the Freedom of Information Act 2000.

Let me make the Opposition's position clear. We do not want to do anything that compromises the bank's ability to make investments and consider matters of a sensitive and commercial nature. That is why amendment 7 is appropriately written to ensure that a full and frank discussion of views can still take place between the Government and the board, and that the bank can fully undertake its activities. I stress that I want the UK Green investment bank to have the highest possible standards of transparency, accountability and scrutiny to the public and other stakeholders.

**Mr Prisk:** I understand the principles, and I agree that it is important to ensure that the bank is not only pursuing green purposes but doing so transparently and accountably. We agree further that disclosure is a crucial part of that. Amendment 7 is unnecessary, however. It does not improve on disclosure and the reporting obligations that are already provided, which the Opposition may or may not have identified.

We regard amendment 7 as a retrograde step because it would introduce unnecessary complexity. The amendment would oblige the bank to publish on its website all key operational documents—including its internal working documents relating to investment decisions—all studies, all assessments relating to the preparation of the business plan and all written correspondence between the Government shareholder and the board. In addition, the amendment provides five exemptions that permit the bank to withhold or redact certain information in certain circumstances, which are, unfortunately, slightly different from the existing set of four exemptions in the Freedom of Information Act 2000.

The Government believe that the Freedom of Information Act, together with clauses 5 and 6, ensure that the bank will be subject to appropriate, extensive obligations to disclose information and to report on its activities, which will ensure full transparency and accountability. The bank already qualifies as a publicly owned company under section 6 of the Freedom of Information Act, which means that it is subject to the disclosure obligations that apply to public authorities.

Given all that, it is difficult to see the case, either in principle or in practice, for imposing an additional set of obligations on the bank over and above those in the Freedom of Information Act. First, regarding the principle, why impose an additional layer of disclosure requirements on the bank that do not apply to other public authorities? That seems particularly inappropriate in view of the highly commercial and sensitive information that the bank is likely to be handling on a daily basis. Unlike most public authorities, not only is the bank subject to the Freedom of Information Act but it has additional proactive reporting obligations under the Companies Act 2006, which will be enhanced by clause 5. It is unnecessary to impose a third layer of disclosure obligations.

Secondly, regarding the practice, the exemptions to the proposed publication obligation are fewer than those in the Freedom of Information Act. That means not only that the bank would be subject to an additional disclosure regime, but that the regime would be stricter than the existing one under the Freedom of Information Act, for reasons that are not clear.

[Mr Prisk]

Lastly, the few exemptions to the obligation to publish that are provided for the bank are generally cast in similar—but unfortunately narrower and, therefore, different—terms to the equivalent exemptions in the Freedom of Information Act. The amendment would therefore make the bank subject to two overlapping but not quite identical disclosure regimes, which would be confusing, unnecessary and costly.

Although it is true that the bank has no proactive publication requirement under the Freedom of Information Act—that has been correctly identified—it should not be forgotten that the bank, unlike most public authorities, is not only subject to the Freedom of Information Act but has proactive reporting obligations under the Companies Act 2006. Clause 5 enhances those obligations, so that the bank is subject to both reporting and auditing obligations under parts 15 and 16 of the Companies Act 2006. Accordingly, therefore, the Government would resist the amendment on the basis that it would introduce an entirely redundant, complex and cumbersome layer of regulation.

**Ian Murray:** Can the Minister give the Committee any clarity about the responsibilities regarding executive pay and potential bonuses for executives paid under the auspices of the Green investment bank? Does anything in new clause 4 or in clause 5 allow that matter to be given greater scrutiny, so as to prevent, from the very start, what has happened with our current nationalised banks?

**Mr Prisk:** We have to bear in mind that the bank is a Companies Act company and will be subject, therefore, to exactly the same rules as other such companies. In due course, the Under-Secretary of State for Business, Innovation and Skills, my hon. Friend the Member for North Norfolk, will seek to improve what is already first-class UK governance in companies, to strengthen that situation. I hope, therefore, that the hon. Gentleman will support the Bill provisions that my hon. Friend will introduce.

**Ian Murray:** The Minister has not really answered the question. I appreciate that the bank falls under the 2006 Act, and is registered at Companies House as a company with proper articles of association and so on, but the Minister has not ruled out the Government's putting in place a mechanism to ensure that inappropriate bonuses and executive pay will be restricted.

**Mr Prisk:** As I said, and as the hon. Gentleman has identified, the bank is a Companies Act company, and the Bill will change deliberations on executive remuneration. The bank will be no different from any other Companies Act company in that regard, so I do not think that there is a problem.

**Ian Murray:** Will the Minister give way once more?

**Mr Prisk:** I will, briefly, but I have answered the question twice. As he said himself, the bank falls under the 2006 Act. Is there something further?

**Ian Murray:** I appreciate that the Minister has attempted to answer the question twice. As a former business owner, I understand the 2006 Act, but my question is:

does he think it appropriate at this stage in the formation of the bank to put in place mechanisms to restrict the practices that we have seen at other banks? He could do that now, in primary legislation, and would not then have to rely on the 2006 Act.

**Mr Prisk:** Again, as I say, the bank is a Companies Act company, and—I remind the hon. Gentleman—we are the shareholder. As with any Companies Act company, that relationship will be addressed, and indeed strengthened, by my hon. Friend's proposals, which will ensure that an appropriate criterion is in place. As a shareholder, the Government are in a particularly strong position, which might not be the case with other forms of company.

**Chi Onwurah** (Newcastle upon Tyne Central) (Lab): The Minister has just made an interesting point: yes, the Government would be a shareholder in the company, as they are a key shareholder in many other companies, particularly since the financial crisis. Is he saying, therefore, that as a shareholder the Government can and should take an active part in ensuring that the company in which they hold shares behaves responsibly, rather than leaving that to the agents—the executives? That would contradict what other Ministers have said.

**Mr Prisk:** No, I am not saying that. I was going to spare the Committee a reading out of the specific piece of law, but I will do so now, as Opposition Members seem to be struggling: “The approval of, or agreement to, or material variation or amendment of, the remuneration, the terms and conditions on which such remuneration is to be paid or granted, or the terms of employment or engagement of any director, or the remuneration of any executive officer that is higher than the remuneration of the existing paid director, shall require the prior written consent of the shareholder, in accordance with the articles.” I would have thought that that was fairly clear to most people.

I shall now turn to new clause 4, the purpose of which is to ensure that the bank is subject to the full range of disclosure obligations that apply to public authorities under the Freedom of Information Act 2000. The bank already qualifies as a publicly owned company under section 6 of that Act, because it is currently exclusively owned by the Crown, and, as such, it is subject to the full disclosure range of obligations under the Act. We believe, therefore, that the new clause is redundant, and on that basis we believe that both it and the amendment should be resisted.

**Mr Iain Wright:** I am slightly disappointed by what the Minister has said. The Opposition do not want to do anything that results in excessive regulation. [Interruption.] You heard that correctly. I have taken on board his points about additional duplication and somewhat cumbersome reporting requirements. He addressed the key point and the single principle behind the amendment and the new clause: in the wake of the biggest financial crisis the world has seen in modern times, this new public bank should have the highest possible standards of transparency, accountability and reporting. Does he think that there is any way in which we can ensure that Members on both sides of the House can agree that we need the highest possible standards? Will he reflect on that, take it away and maybe come back at a later stage to see how it could be improved?

**Fiona O'Donnell:** Does my hon. Friend, like me, find the forced laughter from Government Members rather rich given that they frequently criticised the previous Labour Government, in which he was a Minister, for not regulating the banks enough?

**Mr Wright:** Absolutely. I am grateful to my hon. Friend for mentioning that I am a former Minister. I do not think that that has come out in today's debate, so I am glad to put it on record.

To return to the serious point of the principles behind the amendment and new clause, will the Minister accept that the highest possible standards are needed? Can we work together, and will he come back at a later stage, possibly tabling amendments of his own, to ensure that we can all agree that this public bank should have the highest possible level of probity and accountability?

**Mr Prisk:** I have made it clear that with the existing measures in place, it has such a regime. I will always listen to representations, but to put into primary legislation in this way an additional set of criteria that, sadly, do not even meet some of the exemptions and applications, would mean that the bank would be subject to three layers, which is frankly bureaucratic. That is perhaps not surprising, coming from the Government that gave us six new regulations every working day.

**Mr Wright:** I reiterate that I am disappointed by the Minister's stance, but in the interest of making progress on the Bill, we will reflect on and reconsider that point. I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

*Question proposed,* That the clause stand part of the Bill.

**Mr Wright:** I welcome the Government's decision to ensure that clause 5 effectively categorises the Green investment bank as if it were a quoted company for the purposes of recording and disclosure. Given my remarks on the last group of amendments and the new clause, I put on record that that is welcome.

We also started to delve into the bank's articles of association. This is the most appropriate place in the Bill—in fact, it is probably the only place—to discuss them at any length. I do not mean this in a derogatory way, but the articles seem fairly bog standard. That is not a pejorative term; they seem fairly clear. Given what my hon. Friend the Member for Edinburgh South was saying, challenged by my hon. Friend the Member for Newcastle upon Tyne Central, will the Minister say a little more about the appointment and removal of directors as set out in section 62 of the articles onward?

The Minister mentioned that Government, as the shareholder, will have a say in the appointment and removal of directors. Will Parliament have a say? Will Parliament be notified through a written ministerial statement? I might be behind the curve on this—again, due to my advancing age—but will the chair and chief executive of the bank go through the nomination and pre-approval process used with other posts, such as chairman of the National Audit Office and so on?

If so—if I have missed this, I apologise for detaining the Committee—who will that process involve? Will it involve the Select Committee on Business, Innovation and Skills? That seems sensible, given that the Department

for Business, Innovation and Skills will be a key shareholder. Will it be the Select Committee on Energy and Climate Change or the Environmental Audit Committee, which will also have an interest? Will it be all three? I seek clarity on that.

6.15 pm

My hon. Friend the Member for Edinburgh South mentioned remuneration, which is an important point. The Minister dismissed the rightful concerns of the Opposition. Given the context in which we are talking about the clauses, people out there are concerned about that issue. It is of interest to us and the wider public, given the shareholder spring and the provisions in the Bill on directors' pay, on which I look forward to hearing from the Under-Secretary.

Article 73 states:

“A director so appointed shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board or any committee authorised by the board may decide”.

Given what is going on in the outside world with regard to directors' pay, how will the bank ensure that failure is not rewarded and that scrutiny of the pay package for directors can take place in Parliament? That was the question my hon. Friend the Member for Edinburgh South put directly to the Minister, who did not answer clearly enough. How does the Minister reconcile article 73 with what the Government publication, “Update on the design of the Green Investment Bank”, says? It states that the shareholder—the Government—will

“exercise shareholder controls over board membership, remuneration and other customary matters”.

Will the Government set the salary of the directors of the Green investment bank?

**Mr Prisk:** The hon. Gentleman asked about remuneration. As I thought was clear from the clause, though apparently not, part 15 of the Companies Act 2006, to which he referred when he talked about the objects, spells out the requirements to produce a directors' remuneration report. That is the point that I think he is trying to inquire into.

**Mr Wright:** Yes, but will the Minister address the point that we have made on successive occasions now? Given the shareholder spring, the concern and other aspects of the Bill, what additional steps will the Government take to ensure that the remuneration package of the directors of the Green investment bank will be appropriate? The Minister will need to seek expertise from the City and elsewhere with regard to appointing people to the bank.

The remuneration package may be high. To what extent will the Minister scrutinise and approve that? To what extent will Parliament have a role in scrutinising and approving that? Given the current debate, how do we ensure that failure is not rewarded by excessive pay? It is an important point. With the greatest respect to the Minister, whom I like and respect a lot, he has been somewhat dismissive on that important issue. It is not good enough to say what he has said. We need to ensure that the directors' pay is appropriate and subject to sufficient parliamentary as well as Government scrutiny. I would be interested in his views on that.

[Mr Iain Wright]

Moving off on a tangent slightly and briefly, we hope that the Green investment bank will have clear performance reporting requirements, which were mentioned in the Environmental Audit Committee report on the bank, on such measures as jobs created and emissions avoided. Will the Minister say a little about how that will be included? That will allow us to gauge the performance and the relative success or failure of the Green investment bank. What performance reporting requirements will the bank have?

**Mr Prisk:** Clause 5 is an important clause. It is particularly essential to facilitate, as the hon. Gentleman said, the public's ability to monitor how the bank delivers its green mission as set out in its statement of objects.

The bank's activities should be transparent and accountable, fit for its roles as an important public institution. Just to take a step back so that Members can understand the history of the company, it was incorporated on 15 May 2012, and it is an unquoted public company.

To achieve our aim of increased transparency and accountability of the bank, the clause will ensure that the bank will be subject to enhanced quoted company reporting and audit obligations. It will do so by treating the bank as a quoted company for the purposes of the application to it of parts 15 and 16 of the Companies Act 2006. Under part 15, the bank will provide an enhanced business review, produce a directors' remuneration report—the point raised by the hon. Member for Hartlepool—and ensure website publication of reports. I think that hon. Members will therefore realise that the amendment that has been withdrawn would only have duplicated and complicated the situation.

Part 15 also states that the business review must, "to the extent necessary for an understanding of the development, performance or position of the company's business", include information on the following important areas: "the main trends and factors likely to affect the future development, performance and position of the company's business; and...environmental matters (including the impact of the company's business on the environment),...the company's employees, and...social and community issues".

Under part 16, the auditor will be required to report on the auditable part of the directors' remuneration report, and such enhanced reporting and audit obligations will always apply to the bank, regardless of its ownership.

The hon. Gentleman asked about the appointment of directors. The Secretary of State will directly appoint the chairman, the senior independent director and the shareholder representative director, and will have approval rights in respect of all other director appointments. There is no formal requirement to report to Parliament, but we intend to keep Parliament fully informed on all those matters. I ask the Committee to agree to the clause.

**Ian Murray:** I will be brief. I was not intending to speak in this stand part debate, but it is important to get the clause right. For all our debates this afternoon, including about the profile of spend and whether we can procure from small businesses, the transparency of the Green investment bank must be paramount in what

we look to achieve. The Secretary of State himself, in his examination before the Environmental Audit Committee on 2 February 2011, said:

"As Secretary of State in BIS, my ambition is to keep this momentum going, to develop and deliver a GIB that is"—

this is important—

"effective and transparent and affordable—those are our key criteria".

This clause stand part debate is about transparency.

I have pressed the Minister on remuneration and I understand his response but, with all respect to him, it was a little inadequate, given the current debate in this country about appropriate levels of remuneration and, indeed, bonuses for senior directors.

**Mr Prisk:** Perhaps I was not clear enough. In the end, as the major shareholder, the Secretary of State has the final say on all aspects of pay. Is that plain enough?

**Ian Murray:** I appreciate that, and it is helpful. However, as the 84%, 85% or 86% shareholder in the Royal Bank of Scotland—it is structured slightly differently—the Secretary of State is powerless to dictate bankers' remuneration and bonuses. Indeed, it was only through pressure from the public and the House of Commons that—[*Interruption.*]

The Under-Secretary of State for Business, Innovation and Skills, the hon. Member for North Norfolk, says from a sedentary position that that was set up under our Government, but they are now in power and could do something about it if they so wished. The Under-Secretary's comment emphasises what Opposition Members have said this afternoon, which is that the primary legislation to set up the Green investment bank, as well as the Secretary of State, should make it quite clear that excessive remuneration packages and bonuses that reward failure—any bonuses at all, in relation to the Green investment bank—will be given only in very exceptional circumstances. That should be made clear at the start, and I cannot see the problem with putting that in the Bill. That is why the clause has to be made clearer.

My hon. Friend the Member for Hartlepool gave an open invitation to the Minister to work with the Opposition on the clause in order that, on Report, he could introduce other measures to give us the confidence that there will be significant transparency at the top of the Green investment bank and that the remuneration packages and potential bonus packages for senior executives will be appropriate. We need to make sure that we can measure the number of jobs created and assess where the bank is investing. We must ensure that all the policies, for which the Minister has argued strongly today, are measured clearly and that the Green investment bank can be measured against its goals, including the investment profile.

One of the key things here is the remuneration packages. I hope that when the Minister has reflected on the debate, he will take up the offer made by my hon. Friend the Member for Hartlepool and work with us to see whether we can come up with a set of measures that are far more robust than those in the clause.

**Mr Iain Wright:** From what I have heard from the Minister, I am concerned that there seems to be a break with recent tradition: the chairmen, senior directors

and chief executive of the Green investment bank will not be subject to a pre-appointment hearing before a Select Committee—a system that seems to have worked well and has enhanced parliamentary scrutiny of the Executive and their non-departmental public bodies. I want to reflect on that. I give notice to the Minister that I think we will bring forward amendments on the subject on Report to ensure the highest standards of transparency and accountability in the institution that we are discussing, particularly when it comes to the incredibly sensitive issue of directors' appointments and remuneration, so that we can be sure that the Green investment bank is the best in class. He has disappointed Opposition Members with his somewhat dismissive report, but I think we will come back to the issue at a later stage.

*Question put and agreed to.*

*Clause 5 accordingly ordered to stand part of the Bill.*

### Clause 6

#### THE UK GREEN INVESTMENT BANK: DOCUMENTS TO BE LAID BEFORE PARLIAMENT

**Mr Iain Wright:** I beg to move amendment 8, in clause 6, page 3, line 32, leave out from '(2)' to end of line 33, and insert—

'The Secretary of State must within 12 months of the coming into force of this Act, and afterwards annually, prepare and lay before both Houses of Parliament a report on the activities and investments of the UK Green Investment Bank.

(2A) The report under subsection (2) must, in particular, include or contain information about—

- (a) the investments undertaken by the UK Green Investment Bank during this period,
- (b) how the UK Green Investment Bank is achieving its green purposes as set out in section 1,
- (c) a value-for-money and efficiency statement,
- (d) the identification and management of risk in respect of UK Green Investment Bank objects and investments,
- (e) how the UK Green Investment Bank is not duplicating investments made in the markets, and
- (f) how the UK Green Investment Bank has applied the Main Principles as set out in the UK Corporate Governance Code.'

**The Chair:** With this it will be convenient to discuss amendment 20, in clause 6, page 4, line 4, at end add—

'(5) The Secretary of State will be required to receive an independent expert review of the performance of the UK Green Investment Bank.

(6) The Secretary of State will be required to receive such a review no less than every five years.

(7) An interim review must be held no less frequently than every two and a half years.

(8) The independent expert review must, in particular, include information relating to—

- (a) an assessment of the UK Green Investment Bank's environmental performance in fulfilling the green purposes as set out in section 1,
- (b) an analysis of the main trends and factors likely to affect the future development, performance and investments of the UK Green Investment Bank,
- (c) Macroeconomic analysis, including assessments of demand in the UK economy and international factors likely to affect green investment and skills within the relevant industries,

(d) assessment of the competitiveness of the UK Green Investment Bank in securing competitive advantage for the UK in green and low carbon economies relative to other countries, and

(e) recommendations to improve the UK Green Investment Bank's impact in fulfilling its green purposes in section 1.

(9) Prior to the commencement of a review under subsection (5), the Secretary of State must request the views of—

- (a) the Secretary of State for Energy and Climate Change,
- (b) the Secretary of State for Environment, Food and Rural Affairs,
- (c) the Committee on Climate Change,
- (d) Ministers from the devolved administrations,
- (e) investors and interested parties, and
- (f) members of the public.

and provide a copy of the results of the consultations to the person or persons undertaking the independent review.

(10) The Secretary of State, in the capacity of shareholder, must provide such information as he considers reasonable to enable the person or body undertaking the review to fulfil the requirements of subsection (8).

(11) A review under subsection (5) must be published and laid before both Houses of Parliament.'

**Mr Wright:** I have just mentioned that our view—and, I hope, the view of the entire Committee—is that the Green investment bank, the first public bank established in modern times, should have the highest possible standards of accountability and transparency. It should very much be public-facing, and it should assert its independence from Government as much as possible. We are firmly of the view that there should be better parliamentary scrutiny of the Bill if we are to help ensure that those objectives are realised, not least given what the Minister said a moment or two ago. There should also be greater public consultation and independent expert challenge provided for in the Bill. That is the simple rationale for these two amendments.

Amendment 8 changes clause 6 to strengthen the responsibilities on the Secretary of State in bringing forward a report to Parliament. It states that he must, within 12 months of the Act coming into force, bring forward a report on the activities and investments of the UK Green investment bank. It is important that the Bill specifies certain information that we think hon. Members individually, and the House collectively, would wish to see in any such annual report. That information includes the investments undertaken by the Green investment bank over the year; how the bank is achieving its green purposes as set out in clause 1; how it is ensuring that it achieves the best possible value for money, based on its objectives; and how it is identifying and managing risk in respect of the investments that it is making, not least because it will have a higher than average risk profile in the market. We think that is important, given the discussions we had this morning, especially as we had an important debate about whether the bank will invest in new, emerging, innovative and therefore potentially riskier technologies.

As I think has been mentioned on a number of occasions, it is important that the bank is a game-changer, adding value by not doing something that the markets already have the capacity to do. I think it was the hon. Member for Stroud who asked, "Why can't somebody just go to the markets and get investment as things

[Mr Iain Wright]

stand?” We would like the report to Parliament to ensure that the bank is a game-changer and does not duplicate what is already happening. As I say, we touched on that this morning. My hon. Friend the Member for Edinburgh South was particularly strong on the point that the bank needs to be innovative and embrace risk to allow technologies to come to market.

The Under-Secretary will know, not least from the Statutory Instrument Committee that we both attended yesterday on the statutory functions of auditors, that I take risk management and corporate governance extremely seriously. I am keen to ensure—we talked about this yesterday in that Committee—that the UK remains the best in class when it comes to corporate governance. The fact that we have the best corporate governance regime in the world can be a source of inward investment. The Green investment bank needs to be an exemplar in the field. That is why I was particularly keen to include proposed new paragraph (f) in amendment 8, and—if the Minister accepts the amendment—the Bill. Paragraph (f) would ensure that in its annual report to Parliament, the bank demonstrated how it had

“applied the Main Principles as set out in the UK Corporate Governance Code.”

6.30 pm

Amendment 20 is also important, as it sets out the notion of an independent expert review of the bank’s operations. It would ensure that the bank’s operations are subject to a professional but impartial and independent expert review every five years, with an interim review held every two and a half years. Such a review would be informed and we suggest that it would be improved by stakeholder engagement and public consultation.

There are a number of factors that we believe such a review would have to consider. In order to ensure that the bank is future-proofed—I use that phrase again, although I dislike it—and making decisions based upon the long term, we believe that the review should consider, as we set out in proposed subsection (8)(a):

“an assessment of the UK Green Investment Bank’s environmental performance in fulfilling the green purposes as set out in section 1”.

It should also look at the broad trends in economic, environmental and social aspects, and events in policy making, which could have an impact upon the development, performance and investments of the bank. One of the things that I am particularly keen to emphasise—I hope that this came out during the Committee’s deliberations this morning and earlier this afternoon—is the need for the review to consider how the bank has helped, or hindered, the competitiveness of the UK in the global low-carbon economy.

I want such a process—such an independent expert review—to be as inclusive as possible. The amendment suggests that the relevant Secretary of State consults and requests the view of several relevant Cabinet colleagues, and that of the Committee on Energy and Climate Change. The Committee will be able to provide some real empirical evidence and not just anecdote-based evidence. I know that the Conservative members of the Committee are really keen on doing that, rather than just going down the pub and listening to some bloke who is talking about things, which I think is how Conservative policy is made at the moment.

We also think it is important that Ministers seek the view of their counterparts in the devolved Administrations, not least because the bank will initially be located in Scotland—although I think there are plans to move it to Hartlepool in the near future—and not least because my hon. Friend the Member for Vale of Clwyd is also a member of this Committee. It is important that different parts of the United Kingdom take this issue into account. We also think that members of the public and investors who will be working closely with the bank should be consulted.

I do not think that these amendments are particularly contentious. I hope the Minister will agree. As I have already mentioned in our debates on a number of earlier clauses, we need to have within the Green investment bank the highest levels of transparency and accountability, and linked in with those functions—as well as the important scrutiny function—there should be external challenge. These amendments would allow that to be achieved and on that basis I hope the Minister will be amenable to accepting them.

**Mr Prisk:** The Government entirely agree that the UK Green investment bank has to be both accountable and fully transparent, but we want to achieve those things within the parliamentary and corporate law frameworks. Let me explain what that means in relation to both amendments 8 and 20; I appreciate that they extend quite widely across the clause in that sense.

Parliament will have a number of key roles in ensuring the accountability of the bank. First, it has a role in ensuring that the bank remains green. Both Houses of Parliament need to agree to the company’s statement of objects, both on designation and subsequently—if the company wishes to make changes to that statement—to ensure that the company’s objects are consistent with statutory purposes. We also expect that, for as long as the Government are the sole or majority shareholder, the Secretary of State will report to Parliament when agreeing with the directors new strategic priorities for the bank.

Secondly, Parliament has a role in overseeing the Secretary of State as shareholder, particularly in respect of the operational independence undertaking. That is why we have required the Secretary of State of the day to report to Parliament if they make a material alteration to the undertaking, or in fact revoke it. But Parliament will also want to look carefully at the way that the Secretary of State acts as shareholder, including—as we alluded to in previous debates—the way that they act in respect of issues such as board appointments and pay.

Thirdly, Parliament—especially this House—will wish to look very carefully at the Government’s decision on funding for the bank, and to scrutinise any further Government funding for the bank.

Finally, Parliament will have general oversight of the company’s performance and activities. Clause 6 states:

“The Secretary of State must, as soon as is practicable after the meeting, lay a copy of the annual accounts and reports before Parliament.”

That is to ensure that Parliament has proper and prompt access to updated information about the company.

We need to be clear that the bank is a Companies Act 2006 company and, as such, the directors owe duties to the company rather than to Parliament or the

public generally. That is why I cannot support amendment 20. While Parliament has a proper interest in the company, as a result of the legislative provisions we are debating today, and in Government funding, I do not think it appropriate to set up a further independent system of oversight.

The proposed expert review will report on the performance of a commercial company acting at arm's length from Government. It is unclear what the directors of the company will be expected to do with their report. They are required under company law to act in good faith, in the way they believe is most likely to deliver the company's objectives, as set by the shareholder. If the directors did not agree with aspects of the report, they would be acting in breach of duty to the company if they were to follow the report's recommendations.

That does not mean that there will be no independent expert scrutiny or inquiry into the bank. I have no doubt that, quite rightly and understandably, there will be further Select Committee inquiries relating to the bank, following the important report from the Environmental Audit Committee last year. They will want to take evidence from independent experts, as is perfectly right and proper.

We should not ignore the fact that accountability within the board itself is important. The bank will have a unitary board like most other UK companies, but that does not mean that executive decisions will go unchallenged. The bank is required to comply or explain in accordance with the UK corporate governance code, which states:

"As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy."

The Government, as shareholder, will ensure that the board has the right balance of skills, experience and knowledge to examine the company's strategy decisions carefully, and will do that to ensure that we secure the long-term success that I know everyone in the House wishes to see.

The Government's shareholder relationship with the bank will be managed through the shareholder executive—part of my Department—which has a strong track record in effective engagement and stewardship with companies in its portfolio,

The hon. Member for Hartlepool referred in amendment 8 to the issue of reporting, which is very important. Again, we want to apply the higher standards. We want to work within the company law framework. The directors have a responsibility under the Companies Act 2006 to produce accounts and reports, both to inform the shareholder and to ensure wider public transparency. I do not think it makes sense for the shareholder to have overlapping responsibility to report on the management of the company's affairs. It is the directors, not the shareholders, who are responsible for the management of the company's affairs, and the directors should therefore be required to report on the company. That is why a reporting requirement for the Secretary of State would go against the grain of both company law and the undertaking of operational independence.

**Andrew Bridgen:** Does my hon. Friend agree that under company law the chairman's report would cover many, if not all, of the concerns raised by the shadow Minister in the annual statutory accounts?

**Mr Prisk:** Absolutely. That is why we need to ensure that we have transparency and accountability, but that we do not have layer upon layer. There is a danger that the two could conflict if they are dealt with from different primary statutes.

We strongly agree about the need for full transparency about the bank's affairs. That is why, alluding to my hon. Friend's point, we have provided that the company shall be treated for accounting, recording and audit purposes under the Companies Act as if it were a quoted company. It is an unquoted company. We have also provided that the Secretary of State be required to lay a copy of the annual report and accounts before Parliament and that the company should be required to explain in the annual report any non-compliance with the UK corporate governance code as it applies to small quoted companies.

**Ian Murray:** The Minister sets out a strong case on the overall reporting of the business under existing legislation. However, it is quite clear that the rate of return, which has been included in the Minister's letter to us as part of the Bill papers, says that the Green investment bank should plan to deliver a minimum 3.5% annual normal return on total investments. If it is not able to achieve that, who has the ultimate sanction in the board? Is it the chairman, the board or the Secretary of State?

**Mr Prisk:** Ultimately, if the directors are failing they will be challenged by the chairman of the board. If the board is failing, it will be the responsibility of the shareholder, and the shareholder is the Secretary of State. The final oversight is with the shareholder and the shareholder is the Secretary of State.

**Mr Iain Wright:** Bearing in mind the long period of payback for the innovative and risky investments under discussion, to what extent does the Minister expect the Secretary of State to be relaxed about the bank's performance? He might be relaxed if it failed to provide the 3.5% return in one year, but would he be as relaxed if it failed to do so over two, three, five or 10 years?

**Mr Prisk:** I do not think that the hon. Gentleman would find this or any other Secretary of State relaxed in such circumstances. We will be robust on the performance of the bank and I am sure that any future Government would want to be robust, too. We should not forget that this is not simply about subjective judgments by shareholders; the directors also have to fulfil clear duties. There are two issues, so I do not think that the situation could be described as relaxed in any way.

It is also worth bearing in mind the fact that the requirement under clause 5 to treat the bank as if it were a quoted company is a significant step. We have not drawn that out in debate as much as we might have done. It has three consequences for the bank. First, it has to produce the directors' remuneration report, which we have already touched on. Secondly, it has to publish its annual accounts and reports on a website. Finally, it is required to produce an enhanced business review—which is why we have argued that the amendment duplicates what we already want to do—under which the directors must report on matters such as the main trends and

[Mr Prisk]

factors likely to affect the company's business. I understand the principle of accountability and transparency but, given all of the points that I have raised, I urge the hon. Gentleman to withdraw his amendment.

**Mr Iain Wright:** I shall not detain the Committee for long. The Minister began the day with an iron fist in a velvet glove and it appears that he wishes to conclude our proceedings in the same vein. The amendments would help us to meet the principles of the highest possible standards of transparency, accountability and parliamentary scrutiny. I want the Committee to send out a powerful message that we want this important new institution to embrace the highest possible standards.

**Andrew Bridgen:** Does the hon. Gentleman concede that directors' reports in commercial companies often hold back information for commercially sensitive reasons? Given its investment profile, the Green investment bank will not have commercial competition as such, so it is highly likely that its directors' reports will be far more candid than those of a normal commercial company and will contain all the information that the hon. Gentleman is concerned about.

**Mr Wright:** No, I do not agree because, as we have heard, the bank will be acting commercially. It will try to provide a rate of return of 3.5% a year, and will make investments of a sensitive commercial nature. It is naive to believe that its directors' reports will be candid and say, "We have invested in this wind turbine manufacturer, but it's a load of rubbish and we have made a mistake." On that basis, I want to press both amendments to a vote.

*Question put, That the amendment be made.*

*The Committee divided: Ayes 8, Noes 11.*

#### Division No. 5]

##### AYES

Anderson, Mr David	O'Donnell, Fiona
Cryer, John	Onwurah, Chi
Danczuk, Simon	Ruane, Chris
Murray, Ian	Wright, Mr Iain

##### NOES

Bingham, Andrew	Lamb, Norman
Bridgen, Andrew	Mowat, David
Burt, Lorely	Ollerenshaw, Eric
Carmichael, Neil	Prisk, Mr Mark
Evans, Graham	Smith, Julian
Johnson, Joseph	

*Question accordingly negated.*

*Amendment proposed:* 20, in clause 6, page 4, line 4, at end add—

'(5) The Secretary of State will be required to receive an independent expert review of the performance of the UK Green Investment Bank.

(6) The Secretary of State will be required to receive such a review no less than every five years.

(7) An interim review must be held no less frequently than every two and a half years.

(8) The independent expert review must, in particular, include information relating to—

- an assessment of the UK Green Investment Bank's environmental performance in fulfilling the green purposes as set out in section 1,
- an analysis of the main trends and factors likely to affect the future development, performance and investments of the UK Green Investment Bank,
- Macroeconomic analysis, including assessments of demand in the UK economy and international factors likely to affect green investment and skills within the relevant industries,
- assessment of the competitiveness of the UK Green Investment Bank in securing competitive advantage for the UK in green and low carbon economies relative to other countries, and
- recommendations to improve the UK Green Investment Bank's impact in fulfilling its green purposes in section 1.

(9) Prior to the commencement of a review under subsection (5), the Secretary of State must request the views of—

- the Secretary of State for Energy and Climate Change,
- the Secretary of State for Environment, Food and Rural Affairs,
- the Committee on Climate Change,
- Ministers from the devolved administrations,
- investors and interested parties, and
- members of the public.

and provide a copy of the results of the consultations to the person or persons undertaking the independent review.

(10) The Secretary of State, in the capacity of shareholder, must provide such information as he considers reasonable to enable the person or body undertaking the review to fulfil the requirements of subsection (8).

(11) A review under subsection (5) must be published and laid before both Houses of Parliament.'—(Mr Iain Wright.)

6.45 pm

*Question put, That the amendment be made.*

*The Committee divided: Ayes 8, Noes 11.*

#### Division No. 6]

##### AYES

Anderson, Mr David	O'Donnell, Fiona
Cryer, John	Onwurah, Chi
Danczuk, Simon	Ruane, Chris
Murray, Ian	Wright, Mr Iain

##### NOES

Bingham, Andrew	Lamb, Norman
Bridgen, Andrew	Mowat, David
Burt, Lorely	Ollerenshaw, Eric
Carmichael, Neil	Prisk, Mr Mark
Evans, Graham	Smith, Julian
Johnson, Joseph	

*Question accordingly negated.*

**The Chair:** I have an eye on the clock, but it would be convenient if we finished this part of the Bill today.

*Question proposed, That the clause stand part of the Bill.*

**Mr Iain Wright:** I have several questions to ask, Mr Bayley. No—I have one very brief question.

**The Chair:** Would it not be convenient if we finished this part of the Bill today?

**Mr Wright:** It certainly would, Mr Bayley.

I have a very quick question for the Minister. As I read the clause, documents are required to be laid before Parliament only if, according to subsection (1)(b), the Crown holds shares. My question is, what happens if the Government have sold off their interest? I know the simple answer will be that there would be no need to provide reports to lay before Parliament, but I think there would still be a public interest.

We have discussed the selling off of the Crown's interest in the bank, certainly in its entirety. There is a compelling case, given the dire economic situation, that the Treasury might need the money, but will the Minister briefly confirm what would happen in the event that there was no Crown interest in the bank? What would be the scope of reporting to Parliament and of parliamentary scrutiny of the bank's operations in that event? Parliament would still have an interest, regardless of the level of Government ownership, given the importance of the bank in moving towards a low-carbon economy.

**Mr Prisk:** The question of why the measure will apply only while the Crown has more than half of the shares is perfectly pertinent. The hon. Gentleman is right that the provision will work only if the Government are a majority shareholder.

**Mr Wright:** That is not my understanding. Will the Minister confirm that the clause applies if the Crown owns more than one share, rather than the majority of shares?

**Mr Prisk:** Indeed I can. Inspiration has reached me. The unending pleasure of the Committee's deliberations is such that I misread my own handwriting, which is possibly a sign that I am in danger of becoming a former Minister myself.

*Question put and agreed to.*

*Clause 6 accordingly ordered to stand part of the Bill.*

*Ordered,* That further consideration be now adjourned.  
—(Norman Lamb.)

6.49 pm

*Adjourned till Thursday 28 June at Nine o'clock.*

