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GENERAL COMMITTEES

Public Bill Committee

INFRASTRUCTURE BILL [*LORDS*]

Seventh Sitting

Thursday 8 January 2015

(Afternoon)

CONTENTS

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Monday 12 January 2015

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY FACILITATE THE PROMPT PUBLICATION OF THE BOUND VOLUMES OF PROCEEDINGS IN GENERAL COMMITTEES

The Committee consisted of the following Members:

Chairs: † Mr Jim Hood, Sir Roger Gale

† Blackman-Woods, Roberta *(City of Durham)* (Lab)
† Browne, Mr Jeremy *(Taunton Deane)* (LD)
† Burden, Richard *(Birmingham, Northfield)* (Lab)
† Burt, Alistair *(North East Bedfordshire)* (Con)
† Coffey, Dr Thérèse *(Suffolk Coastal)* (Con)
† Greatrex, Tom *(Rutherglen and Hamilton West)* (Lab/Co-op)
† Hayes, Mr John *(Minister of State, Department for Transport)*
† Heaton-Harris, Chris *(Daventry)* (Con)
† Jenrick, Robert *(Newark)* (Con)
† Jones, Graham *(Hyndburn)* (Lab)
† Kwarteng, Kwasi *(Spelthorne)* (Con)
† Miller, Andrew *(Ellesmere Port and Neston)* (Lab)
† Newmark, Mr Brooks *(Braintree)* (Con)
† Parish, Neil *(Tiverton and Honiton)* (Con)
† Raynsford, Mr Nick *(Greenwich and Woolwich)* (Lab)
† Ruane, Chris *(Vale of Clwyd)* (Lab)
† Rudd, Amber *(Parliamentary Under-Secretary of State for Energy and Climate Change)*
Shannon, Jim *(Strangford)* (DUP)
† Whitehead, Dr Alan *(Southampton, Test)* (Lab)
† Williams, Stephen *(Parliamentary Under-Secretary of State for Communities and Local Government)*
† Zahawi, Nadhim *(Stratford-on-Avon)* (Con)

David Slater, Marek Kubala, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 8 January 2015

(Afternoon)

[Mr Jim Hood *in the Chair*]

Infrastructure Bill [*Lords*]

Clause 32

Provision in building regulations for off-site carbon abatement measures

Amendment proposed (this day): 60, in clause 32, page 34, line 23, at end insert

"and shall relate to buildings or developments of any size"—*(Roberta Blackman-Woods.)*

2 pm

Question again proposed, That the amendment be made.

The Chair: I remind the Committee that with this we are discussing amendment 34, in clause 32, page 36, line 5, at end insert—

'(7) No variation to the requirement of the building regulations in respect of a building's contribution to or effect on emissions of carbon dioxide may be made solely by regard to the number of buildings on any particular building site."

Mr Nick Raynsford (Greenwich and Woolwich) (Lab): I found the Minister's response wholly unconvincing. To recap, we are dealing with a clause which permits allowable solutions. We are all in agreement that allowable solutions in appropriate circumstances are a sensible and necessary part of proceedings. It is a mechanism to allow house builders an exemption from meeting the Government's revised zero carbon target, which is now broadly code level 5, when that standard cannot reasonably be met on site.

We understand why it is necessary to have the exemption in such circumstances. In those cases, the house builder will have to meet code level 4. The Minister stressed that house builders will not be exempt from meeting a lower standard—it will be a lower standard, but they will still have to meet it. They will have to make an off-site contribution to reduce carbon emissions elsewhere. Thus far, I think we are all in agreement. There will be a quibble about whether it is code level 5 or 6, but let us put that aside and say that, in principle, the allowable solutions mechanism is agreed.

However, the question I put to the Minister, which he failed to answer, was: does the exemption proposed for small sites of 10 or fewer units still satisfy that requirement? In other words, will it still be necessary for the house builder to show that they cannot meet code level 5 reasonably on that site? If the answer is yes and they will get the exemption only if they cannot reasonably meet the standard on site, I have to put it to the Minister that there is no point in having a small site exemption because the exemption applies simply on the fact of whether it is reasonably practicable to deliver the necessary code level—code level 5. If it is not, an exemption should apply whether it is six properties or 15 properties. I see no point in a small site exemption if that principle still pertains.

However, if that principle does not pertain, the Minister is backtracking on what I understood to be the commitment he gave on Second Reading and what he implied again today, which is that this would only apply where it was not reasonably practicable to achieve the higher standard on site. In practice, if a small site exemption will apply irrespective of that, a large builder building six luxury homes would be able to say, "This is a small site with less than 10 units. I therefore only intend to meet code level 4 and I'll make use of the allowable solutions by making an off-site contribution elsewhere." That has nothing to do with helping small builders. It is a buckshee gain for large builders and it will open the door to exactly the kind of two-tier problem mentioned by my hon. Friend the Member for City of Durham.

The Parliamentary Under-Secretary of State for Communities and Local Government (Stephen Williams): The right hon. Gentleman might not welcome this clarification, but all new houses will have to be built to code level 4. We have established that now, although I have to say that the earlier remarks from the hon. Member for City of Durham implied that different houses in the same area would be built to different standards. Every new home will have an enhanced energy performance standard compared with now. The exemption we propose is purely from the allowable solutions part of the scheme. Although we have not yet formally announced our response to the consultation, we anticipate that this will be based on a unit-size criterion. In those cases, they would be exempt from that target. They would not be exempt from code 4, but they would be exempt from participating in the allowable solutions scheme.

Mr Raynsford: In that situation, a large house builder who is building six luxury houses could say, "I don't intend to meet code level 5, which I would otherwise be required to do. Because of the small size of the site, I'm only going to do code level 4 and I'll apply for the allowable solutions exemption."

Stephen Williams: I do not want to labour the point, but if I was commissioning a luxury detached house, as the right hon. Gentleman puts it—I am in no position to do so; maybe he is—I would probably have quite stringent home energy efficiency demands. I would probably want them to be over and above those of the three-bedroom house in the centre of the village. Theoretically, he is making a reasonable point; in practice, he probably is not.

Mr Raynsford: I do know quite a bit about the house building industry and price is a major factor. If a large house builder believes he can get better sales or a better margin by not having to comply with code level 5 and by having an arrangement several miles away on a much cheaper site to make an allowable solution contribution, I can see them doing it. The point is that it was justified by the Minister as a measure to help small builders. We have just clearly demonstrated that it is open to anyone, not just small builders.

I put it to the Minister: why is it so difficult to measure the size of a builder? Why is it necessary to use this proxy of "small sites"? If he wanted to do it carefully and thoroughly, he would surely say, "The exemption will apply only on small sites where the builder has a

turnover of less than x million pounds a year." We can discuss what that figure should be: £30 million, £40 million or £50 million. We would all have different views of an appropriate level. That would be possible; it would not require great bureaucracy. All that the builder would have to do is produce the last set of accounts to demonstrate that turnover was below the threshold. Then people could be satisfied that this measure applied only to small builders.

That is not difficult to do, and I have not heard a single good reason why we should not have that supplementary test to ensure that the purpose for which the Minister has argued is met. As it is, we will have an open-ended loophole that will allow, contrary to what the Minister claims, two-tier standards, with lower standards applying simply because of the size of the site, not because of the nature of the housing or the technical difficulty or otherwise of meeting code level 5. It is wholly unconvincing; it deserves to be reversed. I hope the Government will understand that.

Stephen Williams: I will make one last intervention, as I am in danger of making a speech in response to the right hon. Gentleman. Consultation has only just finished. It did ask about site size, based on the number of units, and there were questions about square metreage and the size of the builder, which is the point he is making. We have not yet decided what we are going to do. We are minded to use the number of units per site, because not only do we want small builders to come into the market, we also want small difficult sites to be developed. No absolute decision has yet been made. I gave an assurance earlier that we would design the exemption to ensure there was no gaming of the system, and I am sure we would look at square metreage and the size of the building firm as part of that.

Mr Raynsford: I am grateful to the Minister for that. If I may remind him, he said initially that he would design the rules to prevent gaming. He slightly modified that later to "try to" prevent any gaming and justified that—I understand why and how difficult it is to do it—but that implies a degree of doubt. My amendment 34 suggests a very simple solution, which is that an exemption cannot be given solely on the basis of the number of units on site. There would be either the second test of turnover or the application of the principle that it must be shown by the builder that they cannot reasonably meet code level 5 on site, which is what would apply elsewhere.

That would provide a solution that would have all-party support. There would be a sense of doing the right thing for small builders and not opening a loophole in the system. I hope the Government will think again about this. However, in order to give us opportunity to come back to this on Report, I will not press my amendment to a vote.

Roberta Blackman-Woods (City of Durham) (Lab): I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Roberta Blackman-Woods: I beg to move amendment 61, in clause 32, page 34, line 23, at end insert—

"(e) carbon abatement offsite must only be considered exceptionally and where homes on site already conform to the code for sustainable homes."

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

Amendment 33, in clause 32, page 34, line 29, at end insert

"and where the requirement cannot reasonably be met on the building site."

New clause 6—*Carbon compliance standard for new homes*—

'(1) The Secretary of State must within six months of the passing of this Act make regulations under section 1(1) of the Building Act 1984 for the purpose of ensuring that all new homes built from 2016 achieve a carbon compliance standard.

(2) For the purpose of subsection (1), "carbon compliance standard" means an absolute limit on the predicted emissions of carbon dioxide (and other greenhouse gases expressed as equivalents) per square metre of the internal floor space per year of—

(a) 10 kg in the case of detached houses;

(b) 11 kg in the case of attached houses;

(c) 14 kg in the case of flats.

(3) Any further regulations made by the Secretary of State requiring persons constructing new homes to achieve reductions in carbon dioxide emissions elsewhere than on the site of such homes shall only be applicable in circumstances where the improvements set out in subsection (2) have been achieved.'

Roberta Blackman-Woods: Amendment 61 would make allowable solutions possible only where homes on site already meet the zero-carbon standard, which is the level of the code for sustainable homes that should be in operation from 2016. I suggest to the Minister that the appropriate level is code level 6, not code level 4. I have tabled an amendment referring specifically to the code for sustainable homes because I want us to discuss the appropriate code level that we should be operating from in 2016.

The amendment would prevent the Government from watering down the requirement to deliver zero-carbon homes from 2016 and reducing the level of carbon abatement compliance required before agreeing that the allowable solutions procedures can kick in. The consultation report, "Next steps to zero carbon homes: Allowable Solutions", should have the subtitle, "How to get some builders off the hook on delivering zero-carbon homes", because that will be the effect of the Government's proposals. Paragraph 2 of the reports states:

"The government is committed to requiring all new homes from 2016 to meet the zero carbon standard."

That is not true, because, as I have already made clear, the code for sustainable homes requires homes to be delivered at code level 6 in order to be zero-carbon, but the Government are requiring homes to be built only to code level 4. The Minister's letter of 12 December says:

"I should make it clear that we are not proposing two sets of energy performance standards in the Building Regulations. Our proposals to raise Part 1 of the Building Regulations by around 20% in 2016 is equivalent to the energy requirements of level 4 of the Code for Sustainable Homes."

What is perhaps more startling is that the Government are dressing up this watering down of standards as setting a challenging new standard for house builders. We know that that is balderdash, because a great many builders are already delivering to code level 4. I am sure that, like me, the Minister goes round a number of building sites and that, like me, he has recently discovered that many new developments are built to code level 4. How do the Government think that establishing compliance with code level 4 by 2016 will somehow deliver zero-carbon homes? It is quite beyond me. It appears that what is really behind these truly awful and backward-looking

[Roberta Blackman-Woods]

proposals is contained in paragraph 4 of the Government's response to the consultation: they think that anything beyond level 4 cannot be delivered

"without forcing excessive cost and unrealistic levels of ambition onto house builders."

There we have it in their own words: they have no ambition for really grasping the benefits of a greener future.

Not only do the measures in the Bill represent a significant watering down of the requirement to produce zero-carbon homes by 2016, but to make matters worse the lower standard of compliance will be used to enable allowable solutions—carbon abatement—to take place off site. The Minister has rightly picked up on the fact that the Opposition are not totally against allowable solutions, but the system was devised to enable off-site carbon abatement only where it was not possible, usually because of topographic issues, for it to take place on site. Because of the watering down of the proposals, that is no longer the case.

2.15 pm

The Government said:

"It was originally intended that new homes would meet the whole of the zero carbon standard 'on-site'. However, the government recognises that it would not be cost-effective at this time, affordable or technically feasible to meet the zero carbon homes standard in all cases solely through measures on the dwelling itself, like fabric insulation, energy efficient services, and/or renewable energy generation measures (e.g. solar panels)."

The Government's rationale for extending the use of allowable solutions is not backed up by the evidence. In fact, the evidence contradicts the Government's position. The cost of making homes carbon neutral is coming down all the time. At the moment, the cost to meet level 4 or 5 is between £4,000 and £8,000 per property, but estimates suggest that the cost could halve in the next few years.

Technology is improving, and the Government should be supporting our green energy industries. Instead, they are doing the opposite and allowing innovative renewable technologies to be ignored or overlooked in favour of planting a few trees in a field somewhere for carbon abatement. That is what the system allows. It is important that trees are planted somewhere, but it should not happen at the expense of supporting our renewable energy industries. Through the code for sustainable homes, the Government should seek to ensure that renewable energy technologies are fitted to new homes where possible.

The techniques and technologies required to meet a higher-level standard are already being delivered at volume in the market. More than 73,000 new homes have already been built to code level 4. The Government are completely out of touch and behind the times, because a number of schemes that are already in place are delivering to code level 6—there is a good one in Milton Keynes, which I suggest the Minister visits. We want the Government to capture that ambition. Because of the Government's lack of support for our renewable energy industries, they risk preventing those industries from expanding, developing new markets and contributing to the growth of the UK economy.

Those sentiments were put forcefully to the Government by the UK Green Building Council. The Government are not matching a great many of our councils, which are demanding that homes in their area are built to code level 4 or, in some cases, higher. The UK Green Building Council said:

"We believe that there is no justification for diluting the previously agreed standard and that it should be restored. By proposing a lower on-site standard the Government is forgoing the huge benefits to the UK economy from supporting a world class green building sector creating growth and exports, from reduced natural gas imports and lower energy bills resulting in higher expendable income."

The Solar Trade Association also criticised the Government's report, saying:

"The original Zero Carbon Homes policy put forward in 2006 has been successively watered down in recent years. It is now an extremely complex policy agenda and a poor shadow of its original objective to deliver genuinely zero carbon homes in 2016. Under current proposals, new homes from 2016 will definitely not be zero carbon. At best they will emit only one third less carbon than a home built to 2006 standards."

My amendment seeks to prevent that watering down.

The Solar Trade Association is worried about the future of its industry, and it is right to be. We should be worried too. The Government should support our solar energy traders, especially as the research and development underpinning the sector is carried out in the United Kingdom and we have pioneered a lot of the technology. The Green Building Council has stated:

"It is difficult to see on what basis the Government has drawn its conclusion that the previously agreed standards are unworkable today. The available evidence indicates it is both technically and commercially workable and no further evidence has been presented by Government."

The council is also right that the carbon compliance measures are simply too low and lack any real ambition on, or commitment to, tackling climate change. The Government may be blue and yellow, but that does not add up to them being green.

Mr Jeremy Browne (Taunton Deane) (LD): Thank you, Mr Hood, for giving me the opportunity to speak to new clause 6, which is in my name. It is a pleasure to serve under your chairmanship.

I will make a fairly brief speech. I will not go into detail—others have greater command of that detail than myself—on precisely what level new properties should be at or whether 130 mm of insulation is superior or inferior to 140 mm; I assume it is inferior, but I have no particular insight or expertise on insulation. I will make a wider contribution and hope that Ministers and civil servants will take it on board, not necessarily with a view to accepting the new clause but with a view to thinking along these lines as they formulate laws not only now but in future.

In a way, we have a classic situation here. The Minister is defending what he regards as being a practical position, and members of the Committee are seeking to impose upon him what they might regard as a slightly more purist position than the Government feel able to accommodate. I want to use new clause 6 to hold the Minister's feet to the carbon-neutral fire, and to urge the Government to be more imaginative than Governments are perhaps sometimes inclined to be.

There is a quote on the wall of Portcullis House, which I think was written there over the Christmas and new year period. I should have taken the sensible step of writing down precisely what it says, but it is words to the effect of, "We shape our buildings and then the buildings

shape us." It is a quote from Winston Churchill, so it must be right—everything he said seems to meet with widespread approval. The fundamental point is that we hope that the homes we live in are not simply dwellings for the here and now, although obviously they are that, but will be lived in by people for generations, probably centuries, beyond our time on earth, and will shape their communities and lives long after we have gone.

There is an onus on each generation to try to be imaginative about the legacy it leaves to future generations. Sadly, if given an unlimited budget to buy themselves a home, most people in the Committee and in our country as a whole would not choose to buy one that had been built in their lifetime, but would perhaps choose to buy a Georgian home. It seems strange that we have become less good at building desirable homes than people were 100 or 250 years ago. That reflects badly not just on the architects and the culture of our era but on the wider value that we place on our built surroundings.

I agree with the Government that we need more houses and that it is a fundamental social problem that people with reasonable jobs that are reasonably well paid cannot aspire to buy a house of their own in large parts of the country. I do not think, however, that the principal barrier to housing affordability is the amount of excess cladding in the walls. The main barrier is under-supply of housing.

I am not wholly convinced that a permissive and light regulatory regime will lead to much more house building. It might lead to more house building that is short-termist and does not necessarily serve our wider interests, which is what we have seen over recent years. Housing estates have been built on the edges of towns without any amenities at all; people have to drive to buy a pint of milk or a pint of beer, and there is not even a communal building in which they can meet other people in their neighbourhood. When we talk about environmentalism and housing, we are talking not only about the carbon standard of the houses, but about our whole attitude to new development and the circumstances in which people live.

I regard that as relevant because, with new housing, we start with a blank sheet of paper. Our imaginations are tested, no less than they would be if I gave every Committee member a blank sheet of paper and asked them to do something artistic over the next hour. Giving architects or a building company a greenfield site and asking them to do something is a test of their imagination and of our collective imagination, but we are not doing well enough in living up to the challenge, which is what we will be judged on by future generations.

I live, as the Minister does, in a Victorian house, but in my constituency. To adapt to buildings that are—in the case of my home—getting on for 150 years old is of course difficult, but adaptations take place. The ability to improve the carbon emissions of our existing housing stock is inevitably a complicated and expensive process. There are people, such as my next-door neighbours but one, who put solar panelling on a rather sensitive spot on the roof. That might not be ideal for aesthetics, although in my neighbours' case, they have done it rather skilfully. In lot of houses such panelling does not look attractive bolted on the top.

A more straightforward problem might be that my terrace does not point in the right direction to catch the sun. People starting with a greenfield site can decide in which direction to face the houses, but those upgrading existing stock do not have that luxury. The direction in which houses point is not an irrelevant consideration, not only for solar panelling but for whether the heating is left on at all at certain times of the year. A marginal decision in April or October, say, might well depend on which direction the house points in and how much sunlight it gets during the day. Such considerations do come into play, and we have the opportunity to think about how to have houses that, in 100 years' time, will be seen to have stood the test of time.

One of our big tests will be how liveable houses are. I fear that much of the housing stock at the moment is too boxy, with small rooms, making it difficult for families to eat together, for example, although that is a separate issue that I will not expand on now. As we can see from some 1950s and '60s social housing, there are social consequences to building houses without thinking about how human beings would live in that environment.

There is also the issue of the environmental sustainability of our housing stock. It seems to me that it should be entirely possible to build houses that are orientated in the right direction and that incorporate solar panelling into the initial design of the roof in a way that is much cheaper than retrofitting houses with the same equipment and that is at the same time aesthetically pleasing. The challenge is to build houses with, for example, solar panelling or insulation so that people do not realise it is there until they look at their utility bill and are surprised by how small it is. At the moment, one of the downsides a lot of the retrofitted panelling is that it is all too conspicuous for some people's tastes.

2.30 pm

Mr John Hayes (South Holland and The Deepings) (Con): It is music to my ears to hear the hon. Gentleman making a deeply conservative case about the relationship between the past, present and future, and the importance of beauty. Is the point that he is making not that all that we build should add to what is already there? All that we build should be tested on the basis of aesthetics as well as ergonomics, and we should no longer make the lazy assumption that the less well-off people are made to live in ugly places. They should not be made to live in ugly places, but should have the chance to live somewhere that is uplifting, fulfilling and beautiful.

Mr Browne: I enjoy discussing beauty with the Minister. It is important; for example, the architecture of London's skyline is changing, and that is the legacy on which we will be judged by people hundreds of years from now. Whether people think that is good or bad, I leave to them.

People talk about there not being enough house building. That is not how people feel in my constituency; there is a lot of house building in Taunton. Thousands of new houses are being built at the edge of the town. I am broadly supportive of that development. I think that there is no natural size for a town. At any given point a town is either expanding or contracting. If a person thinks that expansion is bad, they should try contraction because that poses even harder problems. However, issues inevitably arise with an expanding town, although it is a measure of success that people want to live there. What worries me is whether we are seizing this opportunity—whether in 100 years' time people will

[Mr Jeremy Browne]

want to live in the houses that are being built now, or whether they would still rather live in the Victorian terrace that I live in, which will then be 250 years old. I hope that they would want to live in the house that we are building now, because that would be a sign that my generation did something exceptional, which stood the test of time.

Part of that will not just be whether a house is aesthetically pleasing, but whether it captures the spirit of the time in its ability to be environmentally friendly and carbon-neutral. Instead, we have an entirely perverse situation; we are building houses in my constituency that are of a much better environmental standard than would have been the case 50 or even 10 years ago, but just down the road in parts of the beautiful Somerset countryside, we are covering fields in so-called solar farms. I do not know on what basis they are described as farms, because they are really an industrialisation of the countryside. I am sympathetic to environmental concerns, and some people who share my sympathy have chastised me for not being a greater enthusiast for so-called solar farms. Whenever I visit one, they have massive fences around them and feel like camps to stop people from escaping. There are huge, ugly panels. I am told that they are only there for 25 years, which is quite a long time for people living next to one of them in a beautiful part of the countryside.

It seems perverse to build thousands of houses without limited or no requirement for solar panelling and other environmental measures, and then to desecrate the countryside a mile down the road, when we could have the best of both worlds by having houses with higher environmental standards. That could save the occupants of those houses money, and they would stand the test of time and show that our generation is imaginative and bold. That would save our beautiful countryside for people in future generations, so that they could enjoy walking around without it having been desecrated by those so-called farms.

I will not push the new clause to a vote. It contains various criteria. I pay tribute to my right hon. Friend the Member for Hazel Grove (Sir Andrew Stunell), whose name is also on the new clause and who took the lead in drafting it. One interesting feature of the new clause that Members might want to reflect on is why the criteria are different for detached houses, attached houses and flats. Of course, that is because different types of dwelling have different carbon footprints. That emphasises my point about how we should think at the planning stage about designing houses in such a way that they are pleasing to live in and have a minimised environmental impact.

Neither I nor, I think, my right hon. Friend the Member for Hazel Grove is looking to question the good will of the Government. I am an admirer of the Under-Secretary of State for Communities and Local Government, my hon. Friend the Member for Bristol West, and I know that such environmental considerations are at the top of his agenda. All I am really trying to do is to use this opportunity—I know that other members of the Committee are sympathetic to this—to get some details added to the Bill about regulations and the nitty-gritty of the matter. I want to make a wider plea that our generation of politicians leaves a housing stock that reflects the best of our era and that collectively, including old houses, is of a more environmentally sustainable standard than it would have been otherwise.

Mr Raynsford: I want to speak briefly in support of amendment 33, which is in my name, but I am pleased to follow the hon. Member for Taunton Deane and I would like to pick up on two issues that he touched on. He will be relieved to know that I will not ask him to explain the scientific basis for the figures set out in subsection (2) of his new clause, because he rightly emphasised that its purpose was not to be too technical but to raise our sights and to aspire to better standards for the future, for the reasons that he set out very well.

I will bring the hon. Gentleman a bit of comfort and hope, because I live in a modern property. I chose to buy a new flat that was part of a development in Greenwich that was initiated about 15 years ago by the previous Government as one of their exemplar millennium communities. I am pleased to say that, in my property, I have not had to use the heating at all in the past 18 months.

Chris Heaton-Harris (Daventry) (Con): Plenty of hot air anyway.

Chris Ruane (Vale of Clwyd) (Lab): Don't reply.

Mr Raynsford: It was a pleasure for me to go through the whole of last winter—*[Interruption.]*

The Chair: Order.

Mr Raynsford: If the hon. Member for Daventry waits a moment, he will get some even better news. I was pleased to have gone through the whole of last winter without having to use the heating at all, and I have not had to turn it on so far this winter. That is not because we have solar or anything like that—I am sure that the hon. Member for Taunton Deane will be pleased to hear that—but because the building was built to high fabric standards. It therefore retains its heat, and the small amount of heat generated by me and my wife, conversing of an evening, is all that is required to keep the property warm.

This is where I will make the hon. Gentleman feel envious: my combined heat and power bill for last year was just over £400. That is the win-win—we are saving carbon and making it easier for people to live economically. That is why we should be doing our utmost to raise energy efficiency standards. I have already made the case pretty forcefully about why we should restrict allowable solutions to sites where it is not realistically possible to achieve the higher standards of code level 5, which is the purpose of my amendment. That is self-evident, and I rest my case on that.

I want to give one further illustration, which picks up on the hon. Gentleman's point about being more imaginative. A few years ago, when we were beginning to look at the implications of reaching code level 4, anxiety was expressed throughout the house building industry that that would impose unrealistic costs. A small number of house builders, including some of the big ones and some medium-sized ones—Barratt and Stewart Milne are the two whose names I can immediately recall—were involved in an initiative called AIMC4, which meant aim for code level 4. Its objective was to

test whether it was possible to build homes that met those higher standards without any additional cost, compared with what was being delivered at that time, code level 3. The project was successful and it demonstrated the point made by my hon. Friend the Member for City of Durham: that the more the technology is developed and the more the market grows, the more costs come down and so it becomes more economic; but also, good, clever and imaginative design makes it possible to achieve the higher standards without disproportionate cost.

That is the way we should be going. If we want to incentivise the industry, that is the approach we ought to be adopting. The Minister should perhaps be pursuing an AIMC5 initiative now, rather than exemptions that allow companies to resile from meeting the requirements of code level 5. I hope the Government will follow that line.

Dr Alan Whitehead (Southampton, Test) (Lab): I rise to address both my right hon. Friend's amendment and the new clause tabled by the hon. Member for Taunton Deane, which get to the heart of the discussion about the real extent to which the moves made in recent years on the code for sustainable homes downgrade the ambition for homes. The hon. Gentleman talked about whether we will leave a legacy of homes that are of the highest energy efficiency and environmental standards and that will stand the test of time, or whether we will continue to do as we unfortunately have done in this country for a number of years, which is build homes that have to be repeatedly revisited to increase their energy efficiency.

We know that is the case from any comparative analysis of the relative energy efficiency of homes across different countries in Europe. Although the average standard assessment procedure rating of homes has generally improved over the past 20 or 30 years, more so in some sectors than in others, we still have some of the least energy efficient properties in Europe. The whole thrust of the green deal and the energy companies obligation was, I think, largely directed at a recognition that we had the enormous task ahead of us of retrofitting the properties that we had, for a long time, not built properly in terms of energy efficiency. I am obviously not blaming Victorian and mediaeval builders for the fact that they were not entirely cognisant of energy efficiency standards in their buildings, but although that information has been available for a number of years, we have systematically built properties that, for various reasons, fell well short of what could have been achieved at the time.

As the Committee on Climate Change has reflected, we have in front of us an enormous task if homes across the country are to come remotely near the sort of level they need to get to by the early to mid-2020s to make a contribution to energy use reduction and energy efficiency in buildings. We probably need to retrofit several million homes across the country, perhaps more than half a million a year over the next period, to get anywhere near catching up with retrofitting the homes that we did not build properly in the first place so that, across the board, they provide a reasonable level of energy efficiency into the next decade.

Essentially, that seemed to be behind much of the code for zero-carbon homes. The central idea of that code was that we should not do that again and we should get it right first time around—that when we build the 20% of homes that will be in addition to the homes that will remain standing by 2050, those homes will not need revisiting, but will already be in place as very energy efficient homes, and in future decades we will not need another green deal, another ECO or another son or daughter of ECO to start the process of getting those homes up to scratch.

2.45 pm

That is why I am particularly concerned about what I see as the recent progressive dilution of the code for sustainable homes in terms of the ambition for building new properties. I am slightly puzzled by the trajectory of the falling off of ambition. I looked up what had been said recently about the code for sustainable homes. One brief report about it in 2011—relatively early in the lifetime of the present Government—said that the Department for Communities and Local Government had set up a committee to ensure that sustainability standards were being met. It then stated that the Communities Minister, when speaking at the Liberal Democrat conference, said that a

"'compliance' committee would make sure that 'when we say zero carbon homes we get zero carbon homes'."

The Minister added:

"We have to make a really determined push to make sure the standards that we say we build to are actually the standards we build to."

I could not put it much better myself. The Minister at the time was the right hon. Member for Hazel Grove (Sir Andrew Stunell), one of the authors of new clause 6. Either he wishes to retain those standards that were there and has tabled the new clause to try to ensure that we do—reading the new clause, that seems to be what it substantially aims to do—or he connived, as it were, in a lowering of the standards and has now recanted. There does not seem to be a third explanation.

I welcome the attempt in the new clause to secure the minimum carbon standards in buildings. Of course, those were also the standards proposed by the Zero Carbon Hub, which was a cross-industry task group looking at the whole question of zero-carbon homes in terms of cost, carbon saving and practicality. It concluded that the code was not bust and that those reductions—10 kg of CO_2 for detached houses, 11 kg for attached houses and 14 kg for flats—were perfectly attainable and feasible for new builds and, indeed, could be widely welcomed across the industry. As the Zero Carbon Hub itself established, the price of such measures was coming down considerably, so the additional on-cost for new house development was decreasing significantly as a proportion of the total build. A number of the arguments about how this might price developers out of competition as far as housing was concerned did not really stand up.

The Zero Carbon Hub also reflected on the idea that, because of the trajectory of the zero-carbon code, if we diluted the standards we would fall way behind with buildings being built from 2020 onwards. What we find is that the Zero Carbon Hub has effectively been disregarded, that what the previous Communities Minister said quite solidly has effectively been disregarded and that a process is under way of progressively reducing that ambition on what appear to me to be very weak grounds indeed. Although there are circumstances in which a form of allowable solutions might be appropriate, where it is not possible economically to undertake some level of standard improvements on a particular site,

that—as has been agreed across the piece—should always be the smallest exception and should not be used as a vehicle to detract from the overall development of the uprating of the building to code level 5 and potentially above.

For the giveaway in terms of the trajectory, one need look no further than the Cabinet Office briefing on the Queen's Speech last June, which stated:

> "The Zero Carbon Home standard will be set at Level 5 of the Code for Sustainable Homes, but the legislation will allow developers to build to Level 4 as long as they offset through the allowable solutions scheme to achieve Code 5."

That is, the allowable solutions scheme is a potential widespread offsetting in order to allow for other arrangements, as yet still undefined, to achieve code level 5, but it is certainly not apparent to me and other hon. Members how exactly the widespread use of allowable solutions will actually achieve code 5. It may achieve some interesting bits of retrofit elsewhere. I raised the interesting prospect of developers who are building on sites of less than 10 homes availing themselves of the allowable solutions fund in order to bring up to scratch the homes, which they did not build in the first place because they were not exempted from the allowable solutions to start with.

We end up in an "Alice in Wonderland" world where we claim to go towards zero-carbon homes, but actually go in the opposite direction. In securing the exemptions, we provide ourselves with so many further methods of tripping up that we lose sight entirely of the original aim, as the hon. Member for Taunton Deane appeared to imply.

Putting forward a basic carbon-saving requirement, regardless of the size of the developer, seems to be an important way to get us back on track as far as the code is concerned. Unless the Minister makes some particularly compelling arguments for what appears to be a smart move in the opposite direction on the achievement of zero-carbon homes, I suspect we have today effectively sealed the deal on the removal of an ambition for proper zero-carbon homes over the next period. The Minister might find that acceptable, but I do not. I think we need further measures to get back on track.

There might be other ways to do this. As my right hon. Friend the Member for Greenwich and Woolwich mentioned, there might be other ways in which allowable solutions and exemptions can be determined to make sure we do not fall off track, but it seems to me essential that we keep our noses to the grindstone. I would not be happy to be the Minister who finally made sure that we fell off the cart on the way to the target.

Stephen Williams: We have had a wide-ranging debate. Earlier we heard about my television and fridge, and we have heard about the new home in the constituency of the right hon. Member for Greenwich and Woolwich that has significantly reduced his energy bills. I note he did not disclose how much that new home, built to exacting standards, cost compared with what was generally available in the marketplace. That would probably be interesting. Anyone could pay for a home that is over and above what is required by current building regulations; that is a choice people are able to make. On my visits I have seen exemplary projects, as has the hon. Member for City of Durham. I suggest that that tends to be the nature of visits: one is taken to good examples of far-reaching practice rather than the ordinary and mundane.

We heard an interesting speech from my hon. Friend the Member for Taunton Deane. He seemed to be asking me to be more interventionist. Although we are fairly close on quite a few issues—certainly economics—on social policy and domestic policy he has called me a nanny state liberal. It seems he is now accusing me of being the opposite and in his latter stages he has become the liberal interventionist.

Mr Browne: I do not recall ever calling my hon. Friend anything as crude as that—*[Interruption.]* Oh, he does recall it. I am instinctively a believer in free-market solutions to problems, but the only reason I wonder whether a greater degree of intervention may be appropriate in this case is that the person who is buying the product does not know that they are a customer at the point the product is constructed. To use my example of the 150-year-old house that I live in, the builder could not possibly have anticipated that the customer 150 years later would be me. One could argue there is a threshold that would set a benchmark for developers and may allow them to be imaginative within those confines in a way that normal market rules would not allow.

Stephen Williams: I certainly remember my hon. Friend calling me a nanny state liberal and all sorts of things with reference to education and health policy. We will leave that to his memoirs that may be more forthcoming than mine, in terms of our career time scales.

My hon. Friend also referred to aesthetics and how houses are built. I do not think he used the phrase "rabbit hutch homes" but that is essentially what he alluded to. Another piece of legislation—the housing standards review—going through Parliament at the moment is also my baby. That is another major reform of the housing market and deals with the issue mentioned by my hon. Friend. It introduces for the first time a national space standard that will apply across the mix of housing stock, not just social homes, where it is currently a standard applied by the Homes and Communities Agency, but houses built for the market. If local authorities choose to adopt that space standard that will be available for them. That deals with the more general point he made.

I now turn to the specifics of the proposed new clause. First, it would not be right to include this in primary legislation. Most of the changes that we have talked about are made in secondary legislation. Changes to building regulations are made through secondary legislation. The proposed new clause proposes putting quite prescriptive matters, including to the number of kilograms of carbon, into primary legislation. It also proposes setting a time limit. That would ignore our requirement to carry out a detailed consultation with the industry once the Bill gets Royal Assent and we decide to proceed. Every time we wanted to change the standard, we would need to amend primary legislation, rather than use the much more flexible method we currently use of altering building regulations by statutory instrument.

We have already said that from 2016 all new homes will be required to achieve a minimum on-site standard equivalent to code sustainable homes energy level 4. Our view is that that is a challenging step forwards, but one that will provide very energy-efficient new homes for consumers as standard right across the country.

3 pm

As we heard this morning, the Government have already strengthened the energy-efficiency and carbon-emission requirements for new homes twice, in 2010 and 2013. Both those changes were informed by a robust consideration of the evidence, which has, in turn, helped the Government to reach their view on how far we can reasonably expect to go in 2016, with the third ratcheting-up of the standards in a decade—quite a major challenge for the house building industry.

The decision we have taken has balanced the cost to the development industry, particularly to smaller builders, against the wider benefits to society of energy savings and carbon reductions. Achieving that balance has to be one of our primary considerations.

The policy question has always been about more than simply demanding that all new homes meet the highest level of carbon compliance. We also want to know whether it is realistic for the majority of builders to deliver higher standards without unduly affecting site viability or housing delivery. We all agree that we need to build more houses to solve the affordability problem, but we do not need to make building those new houses more difficult than it needs to be for the house building industry.

Code level 4 is already a stretch for the industry, although it is a good standard and one that the industry knows well. The hon. Member for City of Durham mentioned that lots of houses are already being built to code level 4, and they are probably the ones we end up visiting. About 10% of the houses being built at the moment go over and above the existing code, so 90% are being built to code level 3—the current standard regulation.

Some leading house builders have undertaken a project with Innovate UK. The right hon. Member for Greenwich and Woolwich mentioned the AIMC4 project, which aims to explore how the code level 4 standard can be achieved cost-effectively. That learning is now being disseminated through the house building industry. AIMC4 has shown that it is now possible to build to that level consistently, but there are still technological hurdles to overcome.

Although there is some evidence about code level 4, there is comparatively little about how to build at a consistent level above it. There are pockets of activity, and it sounds as though the right hon. Gentleman has benefited from one in his constituency. However, there are not yet enough to demonstrate to Government that the technical challenges involved in delivering the highest levels of carbon compliance can be replicated cost-effectively across the whole house building industry from 2016. I am sure, however, that that will come in due course, at which point the Government would consider the new evidence carefully.

One point made repeatedly in arguing against the Government's carefully constructed position is that the cost of building a zero-carbon home is falling. We do not dispute that—indeed, it is good news, as is the news that the cost of renewables is falling, and that may well come up when my colleague, the Under-Secretary of State for Energy and Climate Change, the hon. Member for Hastings and Rye, takes over. However, we are still talking about extra costs of the order of £1,000 per unit, which we need to take into account in building growth and carbon abatement ambitions.

Zero Carbon Hub has been mentioned several times. It published a report in July 2014—indeed, I spoke about it at one of the organisation's events. The report shows that new homes currently being built do not always achieve the energy performance we are promising. We are all—at least on this side of the Table—politicians, and I am sure that when we pass a law we assume we have somehow pulled a lever and that everyone will do exactly as we expect on every site all around the country, and that compliance with the regulations and the law will be at 100%. Of course, we know that is not actually the case.

Zero Carbon Hub's report found that homes that are currently being built are not necessarily all being built to the standard they are designed to be built to. That is obviously a concern, because if developers are not able to meet current building regulation requirements, what point would there be in raising the bar even further beyond what is currently achievable on a uniform scale? The Government are working with industry on the outcomes of the hub's work, and we will consider the recommendations alongside the regulation needed to raise homes to the standard consistent with code level 4. Our view is that those challenges can be addressed, but there is a risk of increasing the performance issues if we go beyond code level 4 at this time for every new home.

Finally, a national requirement to build homes to code level 4 will ensure that homes are achieving energy efficiency standards that are towards the top end of what is practically and cost-effectively achievable at present. Those homes will use the highest-performance windows—I gave the example of triple-glazed windows earlier. That partially addresses the points raised by my hon. Friend the Member for Taunton Deane. We will do as much as possible on site to improve the energy efficiency of new homes with the most up-to-date boilers and the thickest insulation, reducing fuel bills as a result. Those homes will be among the most energy efficient in the world.

The hon. Member for Southampton, Test, said that rather than going towards zero-carbon homes, we are going in the opposite direction. On the contrary, the trajectory I described at the outset of our discussion on clause 32 this morning shows that, compared with the baseline of 2006, when the code for sustainable homes kicked in—that is what we are measuring ourselves against—we will have a 44% uplift. Significant progress has already been made and will continue to be made if the provisions come into effect.

The changes that we have already introduced strengthen the requirements by some 30% compared with 2006, helping to save home owners, on average, £200 on their fuel bills, compared with those in new homes built before 2010. The changes will strengthen the requirements, on average, by a further 20%. To put that in more meaningful financial language, zero-carbon homes will be built to code 4 standards across the country, without any exemptions, from 2016. We anticipate that those homes will have energy bills of £650, compared with £1,350 for homes not built to those standards. Home energy bills will be £700 lower, which all our constituents will regard as a major energy saving for their new home.

Regrettably, not enough thought has been given to the practicalities of amendments 61 and 33, and particularly the uncertainty and costs for house builders and the potential disruption and delays to house building in this

country. The proposals would mean that a house builder and the local building control authority have to agree a reasonable on-site energy performance level on a case-by-case basis before any development could commence. That would potentially lead precisely to what the hon. Member for City of Durham says she does not want: requirements and practices differing from building to building, and from site to site, in different parts of the country.

The house building industry needs to know the technical requirements and costs it will face so it can plan for the future, particularly when making long-term investments in land. Manufacturers and suppliers need to know what construction products will be required. Certainty is the one key thing that the industry has repeatedly asked of the Government. The various stakeholders, be they house builders or others in the field, have made that clear to me during my 18 months in post. They want certainty from the Government about where we are going. We are proceeding with zero-carbon homes—that was finally cleared up in the Queen's Speech—and we are providing certainty on the levels that we are setting.

Mr Raynsford: Let me remind the Minister of what he said on Second Reading:

"Those energy efficiency measures should be done on site where possible, but off site where not. There could be practical reasons why those energy efficiency measures could not be introduced on site. That is why it is necessary to provide for a scheme of allowable solutions."—[*Official Report*, 8 December 2014; Vol. 589, c. 741.]

That is exactly the effect of amendment 33. Will he please say why he regards it as impractical?

Stephen Williams: What I have said is consistent with what I said on Second Reading and in many external speaking engagements. We want a further uplift on the 2006 baseline, and we are achieving that. We want that uplift to be uniform and without exemption across the country. Getting to code level 4 for every new home will achieve that.

We wish to go further and have more low-carbon technologies coming on to the market. I totally refute the shadow Minister's remark that allowable solutions would be an opportunity to plant a lot of trees. Let me cut that tree down straight away—a Gladstonian practice to counterbalance the Disraelian Minister who is normally sitting to my left, my right hon. Friend the Member for South Holland and The Deepings. We will come on to allowable solutions when we debate the next group of amendments, but a whole range of opportunities will come from them. That is the direction in which we are going.

In the building regulations, we have to set specific performance standards. We provide that guidance in the approved documents. We agree that it is important to get the fabric right first, so our most recent changes to building regulations have encouraged a fabric-first approach. However, regulatory standards need to be proportionate, realistic and achievable.

There will be a further chance for industry and environmental groups to work with Government as we fine tune the detail of setting regulations at code level 4. There will be a detailed technical consultation that will need to consider what that means for delivering a range of new home types, from high-rise flats to detached houses. We will listen carefully to the responses and publish another detailed impact assessment; that is consistent with the approach undertaken when we last tightened the regulations. Having heard those remarks, I hope that hon. Members will not seek to press their amendments.

Roberta Blackman-Woods: I tabled amendment 61 partly to test the Government's ambition to deliver genuinely zero-carbon homes by 2016. Sadly, the Minister has confirmed my anxiety that they have extremely low ambitions, not only on zero-carbon homes but on reducing energy bills substantially, as was outlined by my right hon. Friend the Member for Greenwich and Woolwich.

I do not always agree with the hon. Member for Taunton Deane, but he made a number of valuable points about the need for better-quality homes, including the point that those homes need to be genuinely zero carbon. It is a great pity that the Minister of State, Department for Transport, the right hon. Member for South Holland and The Deepings is not in his place, because again I agree with him that we should be building places that are beautiful. Given those comments, I am surprised that he and his colleagues did not back new clause 13, which sought to update the new towns legislation to get not only garden cities, but garden cities based on updated principles that pay attention to place-making and a good-quality environment.

The hon. Members who contributed to the debate all made valuable points. I hope that the Minister will reflect on some of the detailed points about the workings of allowable solutions made by my right hon. Friend the Member for Greenwich and Woolwich. My hon. Friend the Member for Southampton, Test, made really important points about why the Government are allowing code level 4 with allowable solutions. To us that seems a backward step.

It was interesting that the Minister had to ask questions about the cost of delivering homes to code levels 4, 5 and 6. I suggest that he should persuade his Department to update the information in the document "Cost of building housing to the code for sustainable homes standard: updated cost review". The most recent copy I was able to find was published in 2011. It would be extremely helpful if that could be updated, as it would elucidate some of our discussions about whether measures are affordable.

The last point that I wanted to make was to do with what the Minister said about cost affecting the viability of sites. We do not actually know that, however, because we do not have any information. It would have been helpful if he and his colleagues had backed our amendment that sought to make viability testing and the information it was based on more publicly available. I am not convinced by the Minister's comments and am disappointed by the low level of ambition, but I will let him ponder; I am sure that we will revisit the issues. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

3.15 pm

Alistair Burt (North East Bedfordshire) (Con): I beg to move amendment 66, in clause 32, page 34, line 34, after "things", insert "within the built environment".

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

Amendment 63, in clause 32, page 35, line 2, leave out "Secretary of State" and insert "a local planning authority".

Amendment 64, in clause 32, page 35, line 5, at end insert—

"(d) provisions within sub-paragraph (3)(a) should be carried out within an area determined by the local planning authority, where the opportunity exists to do so."

Amendment 65, in clause 32, page 35, line 30, at end insert—

"to be determined by the local planning authority".

Alistair Burt: It is a pleasure to serve under your chairmanship, Mr Hood. Thank you for the kind attention that you paid to my point of order just before midday on behalf of all of us. I will speak briefly. The amendments are probing, as I think the Minister is aware. For the record, I also live in a new property, in Bedfordshire.

Some years ago, when I held the post of Opposition spokesman on local government, I suggested that at least 25% of all new build should carry solar panels as part of the building regulations. Even 15 years ago, it was clear what was happening. Accordingly, I am pleased to see the sort of progress that has been made, and I want to encourage the Government on the way in which they are heading towards carbon neutrality.

The amendments are in part inspired by the Mayor of London, and by concerns expressed on Second Reading by my hon. Friend the Member for Bromley and Chislehurst (Robert Neill). Those concerns, as the Committee will hear, are about the apparent effect on any planning authority in the south of England where developers might take the opportunity to offset their obligations in a part of the country where costs are lower; that goes against the Bill's intention that relief be provided in the area in which the development takes place.

Under the Bill, developers will be able to offset reductions in carbon emissions from new developments in the manner of their choosing; there is little restriction on the type of measures carried out or their geographical location. In addition, the price cap set for carbon under the fund delivery route may be set at a level that could preclude carbon-saving measures from being carried out in London and other cities.

There have been similar unintended consequences for London from the energy companies obligation scheme, which led to the capital receiving far less in funding, proportionately, than it should have. Companies have understandably chosen to target their spending in areas where they would get the best return on their money. For example, despite having a 13% share of national housing, in the first year of the energy companies obligation, London received only 6.4% of spending. That lets down those in fuel poverty in the capital who might otherwise have been helped.

The Greater London authority has estimated that London will generate up to £90 per tonne of carbon each year once the allowable solutions system is fully implemented—about 21% of the total raised. Without additional safeguards to ensure that those funds remain in the capital, London would in effect be funding carbon-abatement activity throughout the rest of the UK without seeing any benefit, which is unacceptable for a region that has 277,000 households urgently in need of the assistance that allowable solutions can bring.

The amendments are therefore intended to ensure that London receives its fair share from the allowable solutions regime. The amendments are worded to give local planning authorities the opportunity to have the scheme operating within their own area, rather than necessarily going beyond it. There is a recognition that not every scheme in itself will be able to provide the opportunity for offset, but at least keeping it within the planning development area will mean that a local community can see the benefits of the scheme and prevent, in particular in the south of England where housing costs are greater, more diversion to areas outside, which would undermine the intention of the Bill and not benefit the local community in which building development was taking place. I would be grateful if the Minister will give his view on the amendments, which are designed to be probing and to ensure that the needs of the community in which development is taking place are recognised. I look forward to hearing what he has to say.

Mr Brooks Newmark (Braintree) (Con): I will not make a long speech. I just want to make a point in support because the amendment is also in my name. I emphasise the point made by my right hon. Friend the Member for North East Bedfordshire that it is important that we support the principle of localism when it comes to carbon pricing. I am sure that the Minister will agree that it is important that local authorities have ownership of any allowable solutions fund to ensure that they invest in a balanced portfolio of carbon savings measures to benefit local areas, the local community and the local people.

Stephen Williams: The debate was rather briefer than I anticipated. The amendments raise important issues about the role of local authorities and communities in delivering allowable solutions, as well as what kind of carbon abatement measures can be included in allowable solutions—certainly more than trees, as I said to the shadow Minister earlier. I will deal with the local authority issue. I agree that local authorities should be involved. Many are already thinking about how they can contribute to allowable solutions. There are certainly considerations that we have given careful thought to during previous consultations on allowable solutions. The problem with the amendments as they are drafted—in effect, prescribing that allowable solutions should be delivered locally—is that many of the opportunities that we see for cost-effective allowable solutions will be lost.

There was strong support in the consultation that we undertook in 2013, including from local authorities, for a national framework for allowable solutions—a menu of options within a national framework. Under one of the options, it will certainly be open to local authorities to participate in allowable solutions by working with house builders to introduce carbon abatement projects in the local area. The guiding principle of the allowable solutions scheme is freedom of choice for house builders in how they meet their obligations.

Roberta Blackman-Woods: I have a great deal of sympathy with the amendments. Is the Minister confirming that it would be possible for a builder to meet the allowable solutions requirements by planting trees in the opposite end of the country? Yes or no?

Stephen Williams: The whole point of the clause is to introduce the concept of allowable solutions. Once we have the concept established, which is a new concept in

[Stephen Williams]

terms of building regulations, we will design a scheme and consult on it. As the hon. Lady has requested, I will give out the examples that I or other colleagues have outlined on the record in speeches or in writing of the sorts of things that we anticipate as allowable solutions; they do not include trees. It would be low-carbon local energy infrastructure, such as district heating schemes, and retrofitting of low-carbon technologies in existing buildings. That is where most of the improvement needs to be made. We are talking about what we do to new homes constructed after 2016. We all know that we need to retrofit our existing housing stock, whether it is my Victorian home or that of my hon. Friend the Member for Taunton Deane, or the Georgian home of the right hon. Member for South Holland and The Deepings. That is where the problem is.

A huge opportunity exists here to augment the green deal to retrofit older homes. That may not be primarily in the district where new housing is taking place. That is one reason why there needs to be a national scheme. The distribution of our housing stock is not uniform. Off the top of my head—I hope this does make officials flinch, so I will not look at them—we could compare Milton Keynes and Bath. Fairly obviously, in Bath, which is a world heritage site where there are many listed buildings, there is a huge need to retrofit the housing stock sympathetically.

In a new town, where a lot of the housing stock has been built in more recent times to more demanding environmental standards, where new house building takes place after 2016 there will simply not be the same need for local offsetting measures. The aim of the allowable solutions scheme is an overall drop in carbon emissions across the country. To that extent, it does not matter whether it happens in Milton Keynes, Bath, Croydon or Surrey. It just matters that it happens.

Alistair Burt: I happen to live next door to Milton Keynes. That is also irrelevant as far as my hon. Friend is concerned. I want to pick up on the important point made by the hon. Member for City of Durham. We have all come across situations in which lists or schedules are produced and people ask, "Are only the measures on the list allowed, or is the list indicative?" Again, we are dealing with people who are very smart at ensuring they get the best bang for their buck. A developer's best bang for their buck may not be in the best interests of all the rest of us. Is the Minister saying that the solution that might be offered by some, to which the hon. Lady referred, is not to be allowed, or might possibly be allowed, unless the list can be made more prescriptive?

Stephen Williams: The allowable solutions scheme is clearly not yet finalised, because we do not have the primary legislation in place to allow the concept to be worked up. A lot of thinking and discussion has taken place. I can reassure my right hon. Friend and will try to reassure the hon. Member for City of Durham again that in all the discussions that I have had, trees have never been mentioned, but district heating schemes, retrofitting, low-energy street lighting and electric car-charging points have been possible examples of allowable solutions. I am particularly keen that those things happen, as are other Departments. I have never heard trees mentioned.

Mr Newmark: I do not want to hammer home the point raised by my right hon. Friend the Member for North East Bedfordshire. The concern that he, I and, I believe, the Mayor of London have is that the built-up areas will not benefit from any measures to reduce carbon emissions because developers are very smart people. They will do what needs to be done in the cheaper areas that are on the edge of towns and suburbs. One may find that the city centres go without the benefit of offsetting. That is my concern, which is why I believe a more localist approach is better.

Stephen Williams: I am not at all unsympathetic to what the hon. Gentleman says. The details of the allowable solutions scheme have not yet been fully worked up. I am sure that when they are published there will be lots of discussions such as this. There are huge opportunities for the low-carbon sector that is developing in the economy. There will be a local opportunity as well. The overall objective is to reduce carbon emissions across the country.

I am a localist and would love everything to happen in Bristol and for Bristol to have control over many things. I am sure that the hon. Gentleman would want that to be the case in Essex and Braintree. However, we have to recognise that reducing carbon emissions is a national imperative as well as something in which everyone locally quite rightly wants to show that they have played their part. I am certainly mindful that local authorities can have a role in this. House builders themselves—certainly a major builder has said this to me—would probably want to be associated with local improvement schemes. We will hear all that once we have got clause 32 in the Bill—once we have got Royal Assent—and we go forward and design the scheme.

3.30 pm

Mr Raynsford: We hear what the Minister says. Will he advise the Committee whether, when he is framing the detailed arrangements, any legal obstacle could prevent the implementation of the proposal of the right hon. Member for North East Bedfordshire to link the area in which the allowable solution income is generated with the area where the benefit is derived? Is there any reason why that should not be done?

Stephen Williams: I cannot think of any legal objection to what is being proposed, but perhaps we will come back to that shortly. The problem with local funds, which is what is being envisaged here, is that there simply might not be enough allowable solutions measures available locally—to go back to my Milton Keynes example—so funds will not be invested to best effect. Amendment 64 recognises the problem, but if local funds become the default option, which is what is called for, opportunities may be lost for large-scale strategic investments, which, as well as being more cost-effective could lead to greater levels of carbon savings, which is what we are trying to achieve.

We want to ensure a competitive marketplace for allowable solutions so that the house building industry and other people can innovate and come up with allowable solutions to drive down the price and obtain the best value.

Roberta Blackman-Woods: Would that include a scheme in Durham being offset by a solar farm in Taunton Deane?

Stephen Williams: I opened this door myself by comparing Bath to Milton Keynes. I am loth to get into lots of discussions about what might be offset by house building in Durham and somewhere else. *[Interruption.]* I am told the answer is yes, which is probably not very helpful.

House builders will be able to contribute to a variety of allowable solutions. Whether it is photovoltaic panels on roofs or solar farms, which my hon. Friend the Member for Taunton Deane does not want to see; whether it is the retrofitting of Georgian houses in Bath, or in Durham for that matter; or whether it is low-energy lights—there was a question about Essex in oral questions recently—there will be an opportunity for the benefit of allowable solutions to be felt in all different parts of the country.

Mr Browne: Obviously, the example that was given provoked a constituency response from me, but the point made by the hon. Member for City of Durham does raise a wider issue, which is whether developers will be able to put more and more solar panels in parts of the country where land prices are lower and the demand for housing may be lower, and they are far away from the sensitive eyes of people who want to buy more expensive houses in parts of the country where offsetting is not located. Durham may not be a particularly good example, but, apart from the sun perhaps shining more strongly in the south of England than in the north of England, there is a danger that there will be some out of sight, out of mind places that will get all of the ugly solar farms, while the more high-value housing areas of the country will be spared the downsides and will get only the upsides. That may not be agreeable to many people.

Stephen Williams: I will respond to my hon. Friend by simply saying that there is a challenge that his colleagues—while they are still his colleagues—in Taunton and the rest of Somerset will have to rise to. They will have to put forward allowable solutions examples and schemes that they want to see in Somerset that are of the right quality aesthetically in his constituency and will attract investment from the various national allowable solutions schemes. The scheme will also need to provide certainty and consistency for house builders. That is why we think the best way forward for a fund option is for it to be a national fund with a national price, which, as I have said, will no doubt be spent around the country in different ways.

Amendment 66 would restrict off-site carbon abatement measures covered by the scheme to those in the built environment. Most measures have come from the built environment, but we think that the amendment would limit opportunities for innovation. We are already aware of interesting proposals outside the build environment, which the amendment would prevent from even being considered. For instance—I have already mentioned this as an example of an allowable solution that I want to see—electrical vehicle charging points could not proceed as an allowable solution scheme if the amendment, tightly drafted as it is, were accepted.

Seventy-four per cent. of respondents to the consultation did not support focusing on particular measures, and there was consensus that being too prescriptive would stifle innovation. We will of course work closely with local authorities and industry after the Bill is passed, as we put into place the supporting guidance and measures necessary to deliver the national scheme of allowable solutions in support of zero-carbon homes from 2016.

I hope that I have given the Committee enough reassurance and that the amendment will be withdrawn.

Alistair Burt: I thank the Minister for his response, and for dealing with the comments that have been made. We have shown that there is some interest, and an issue to be dealt with to protect the intention of the Bill, but, in view of what he has said about the probing amendments, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 32 ordered to stand part of the Bill.

Clause 33

The community electricity right

Dr Whitehead: I beg to move amendment 35, in clause 33, page 37, line 9, at end insert—

> ""Community" shall include any elected authority responsible for the administration of any area defined for the purpose of exercising the right to buy a stake in a renewable energy facility".

I hope the Minister in particular will perceive the amendment as very helpful. If she does not see it in that way right at this minute, I hope that by the time I have explained it she will conclude that it is particularly helpful. It is based on a little journey I took through clause 33 and schedule 5, relating to what will happen considering that the clause is headed "The community electricity right".

We might ask ourselves what we mean by "community" when we talk about a community electricity right. The clause begins by stating:

> "The Secretary of State may make regulations which give individuals resident in a community or groups connected with a community (or both) the right to buy a stake in a renewable electricity generation facility that is located—
>
> (a) in the community (if it is a land-based facility), or
>
> (b) adjacent to the community (if it is an offshore facility)."

That brings us no further towards learning what a community is. Clearly, some people are resident in it and they have the right to buy, and a group involved with the community can have that right.

Schedule 5 should be the right place to go for an answer to questions about what on earth the clause means. It contains the subheading "The community", which appears a promising place to seek the definition. Indeed, it states that the right-to-buy regulations that the Minister is required to bring forward

> "must make provision enabling the following to be identified—
>
> (a) the community in which a land-based facility is located;
>
> (b) the community adjacent to which an offshore facility is located."

That does not take us much further. However, paragraph 5(2) states:

> "A community must be a geographical area which is…wholly in England…partly in England and partly in Wales; or…partly in England and partly in Scotland."

It is therefore defined that it cannot be nowhere—it must be somewhere. Paragraph 5(3) of the schedule states:

> "A community may be identified by reference to one or more of the following factors".

Those factors are

> "distance measured from the facility or some other point…the number of residents"—

or, and I think we are getting to something here—

> "administrative boundaries of any kind."

[Dr Whitehead]

That does not, however, really take us any closer to understanding what a community actually is.

Further definition is provided in paragraph 6 of the schedule, which is titled "The members of the community". It states that the Minister can decide on who may exercise the right to buy based on

"how old an individual is"

or

"how long an individual has been resident in the community"—

we do not know anything about that community, but they must have been resident in it. Paragraph 6(5) states that the groups that may exercise the right to buy, who are associated with the community, may be

"identified by reference to…the legal form of the group…the constitution…members of the group"

or

"the geographical area or areas in which, or in relation to which, the group operates".

Again, that is a bit of tautology. Other than knowing that it must operate in a geographical area, we do not know what the community consists of.

The key question is: is a community, or a group associated with a community—in common sense terms, we can define that as a number of people coming together—something that has been elected, or something that has not been elected? Some groups associated with a community are elected, but others are not. If we decide that a community group that has been elected has some sort of validation as being associated with the community, we come to the thorny question of whether a local authority is in or out of the community.

If an elected local authority represents an administrative area, as schedule 5 says, is that considered to be inside or outside the community, or part of the community—or is that the community? If it is the community, presumably under the regulations it would be able to take part in the community electricity right to buy. If a local authority cannot do that, and only groups associated with the community that have not been elected can take part in a community right to buy, the question of election becomes quite important. However, some groups associated with the community do have elections. They have constituencies and hold regular elections in them—indeed, that is part of their legitimacy and part of the validation of their purpose as groups in the community.

Hon. Members with reasonably long memories may remember that, when local improvement money was provided for local authorities, one of the stipulations was that community groups that took part in local development areas should have some form of constitution, which might include elections. Indeed, in a number of places, including my own city, a constituency was set up to ensure that community groups were elected so that they could take advantage of the funds that had come from central Government to benefit the general community, even though the local authority did not gain from that. The question, then, is: do we have any clarification on whether an elected or non-elected community fulfils the definition of a group connected with a community? I do not think that we do.

To muddy the waters perhaps a little further, it might be worth referring to the Department of Energy and Climate Change's community energy strategy, which came out last year. I am sure that the Minister will be very familiar with it. Among other things, it talks about how local community electricity facilities can be established, supported and so on. In paragraph 25, it says:

"Local authorities can provide a valuable source of information and advice for community energy groups, and can help coordinate community activity in their area. They may provide loan funds or financial support. They also play an important role in helping support community energy projects through the planning process and encouraging communities to incorporate energy into their neighbourhood plan."

3.45 pm

Later on in the strategy, it says:

"There are several examples of supportive local authorities in this strategy, and we want this to be the norm".

The question I put, then, is: if that is to be the norm, and if local authorities, as elective authorities, are excluded from the definition of "community", how can that aim be achieved? If, on the other hand, they are to be included—indeed, paragraph 25 suggests that they might be, in the case of loan funds or financial support—would financial support mean, either in part or in whole, that taking on the 5% stake in a community electricity facility as envisaged in the clause would be part of the community electricity right? In other words, if the local authority coughs up all the money for the 5% stake, is that inside or outside the definition in the clause? If it is inside, can the local authority hold that stake in its own right, or must it hold it by a proxy because it is part of the community but not inside it?

I come to why I think the Minister will agree that amendment 35 is very helpful. All those problems could be resolved if my wording were simply to be added to the definition at the end of clause 33(7), which seeks to define community electricity right regulations. The amendment seeks to define what "community" might include as far as community electricity right regulations are concerned:

"'Community' shall include any elected authority responsible for the administration of any area defined for the purpose of exercising the right to buy a stake in a renewable energy facility".

It does not detract from any of the other definitions of community individuals or community groups associated with the community; it merely resolves the issue of whether an elected organisation is part of the community. Given the ambitions of the Department of Energy and Climate Change for its own community energy strategy, that would seem to be a helpful piece of clarification for the purpose of driving the strategy forward. I therefore anticipate that the Minister will have no hesitation in accepting the amendment.

Andrew Miller (Ellesmere Port and Neston) (Lab): The question that I want to raise about what I think is a very helpful clause is something that I have been discussing with people for a considerable time. During an extraordinary flight I took in Germany, I realised just how many wind turbines there are there. From the current figures, it turns out that there are something in the order of 10 times more land-based wind turbines in Germany than in the UK. There is also a huge amount of public buy-in to the process there. That, it turns out, is substantially down to the fact that there are community schemes. As I understand it, that German model could not work in the UK, because we do not have a shareholding model that would work to incorporate it. My first question to

the Minister is what discussions she has had with the major electricity providers about creating local partnership businesses, which could be hybrid businesses. We do not have a large number of existing examples, although I have heard of one on the edge of Sheffield that the Minister's officials might be aware of.

My second question is, why do the rights in question relate just to electricity generation and not to gas as well? I know that we are not yet on the next few clauses, which another Minister will be dealing with, but I have had discussions with some of the other energy producers, including ones that are dealing with hydraulic fracturing, and it seems to me it that could be a useful model to apply to them. Why have the Government not extended their thinking to all forms of energy generation? Biomass plants and other such operations could help reduce the cost of energy distribution, enhance the buy-in from communities about having something in their backyard and provide a more sustainable model of energy distribution for the country. Why is the Minister's thinking narrowly defined around electricity?

The Parliamentary Under-Secretary of State for Energy and Climate Change (Amber Rudd): It is a pleasure to serve under your chairmanship, Mr Hood. Since this is the first time I have spoken in the Committee, may I wish everybody a happy new year?

I thank the hon. Member for Southampton, Test, who has a strong reputation in the area of renewable energy, for his interest in the community electricity right provisions and for tabling the amendment. It is helpful to hear his views, and I hope he will find my response as helpful and compelling as he anticipated I would find his amendment.

The amendment proposes that the definition of a community should include any elected authority responsible for the administration of an area. That would then allow it to buy into a local renewable electricity scheme. Before addressing the amendment, I will, if I may, set out the context for the provisions. Energy generation by communities, either through owning installations outright or through shared ownership, can make an important contribution to maintaining energy security, tackling climate change and keeping costs down for consumers.

The Government set out our support for community energy in the country's first ever community energy strategy, launched in January 2014. Shared ownership was an important element of that. It is about enabling communities to have the chance to buy into renewable projects and have a greater share of the financial benefits. It allows communities to have a real stake and sense of ownership in renewable developments happening on their doorstep. The hon. Member for Ellesmere Port and Neston spoke about his experience going around Germany, and the fact is that some other countries engage their communities more successfully than we do. We are determined to try to do that, which underpins the efforts we are making in this part of the Bill. The structure of energy delivery in Germany is somewhat different and, in a way, makes it more straightforward to achieve that.

I hope the hon. Gentleman will forgive me if I say that perhaps we can address his point about hydraulic fracturing in the more substantive debate that will be coming on that subject. I will address it when we get to it.

As far as our proposals on community energy in clause 33 are concerned, we have a two-pronged approach to increasing community shared ownership of renewables. It is led first and foremost by the work of the shared ownership taskforce, which is driving forward the voluntary approach to increase the number of offers of shared ownership for onshore renewables. It launched its framework to guide that process in November last year. Only if the voluntary approach was not successful would we consider exercising the community electricity right powers.

Chris Heaton-Harris: Is the Minister slightly surprised that it has taken so long for the initiative to be launched or accepted by the industry? When I first came to the House I met many of the onshore wind operators, and it was suggested to them at that point, as was a standard way of consulting communities when operators have proposals. They seemed not to want to take up either of those things at that time. Is the fact that they are now not getting so many onshore wind approvals through the planning system perhaps the reason that they have finally seen the light, or is there now a genuine interest in the communities in which they are developing?

Amber Rudd: That is an interesting point from my hon. Friend; I think I would say it is a combination of those factors. What we are seeing is a groundswell of interest from communities, and a desire from the initiators of the projects to engage more successfully with communities. The operators are beginning to see examples of where that is happening and are perhaps feeling that they, too, want to be part of that process and engage with communities in a more successful way than some of them have been able to before.

The powers that we are proposing could only be exercised from June 2016 onwards, and only following a formal consultation. By taking the proposal through Parliament, we are sending a clear signal about how seriously we want to achieve an increase in community shared ownership of renewables.

The Government fully support the role of any elected authority, such as a local authority, in helping to achieve our vision for community energy and community shared ownership. That is the point specifically raised in the amendment tabled by the hon. Member for Southampton, Test. We recognise that those authorities are uniquely placed to work with communities and other partners, and indeed many successful community energy company projects, both in this country and internationally, have had significant backing and support from local government.

However, I do not agree with the approach that the hon. Gentleman proposes, however helpful his amendment is. His approach is to set out now in primary legislation specific details about who may be eligible to exercise the right to buy. The powers in the clause allow for future regulations to give groups connected with the community the right to buy. Our preferred approach is to leave to secondary legislation the specific details of which groups would be able to exercise the right to buy. Therefore, our provisions do not define a "community" in the way that the hon. Gentleman's proposed amendment would. They require secondary legislation to define "community" by reference to a geographical area, and allow that future regulations will define members of that community, which could include groups such as local authorities.

[Amber Rudd]

Those groups could exercise the right to buy by reference to a range of factors. We do not wish to take a prescriptive or potentially restrictive approach to who might be able to exercise that right.

In a way, the hon. Gentleman's argument has revealed the potentially confusing nature of the definition of "community". Therefore, I suggest that the Bill is not the place for that definition. There is an important reason for that: shared ownership is a relatively new area, so we want to have the flexibility to take on board the new models and approaches that we expect to come forward.

Dr Whitehead: I hope the Minister will accept that the amendment simply uses the word "include". It is not prescriptive; it would not exclude other groups. In the same way as individuals have been set out in schedule 5—for example, individuals who are not bankrupt—it would simply add detail to which groups are included in the definition and which are not. It would not exclude anything, nor is it prescriptive.

Amber Rudd: I take the hon. Gentleman's point, and because it sounds like such a reasonable and helpful point, I looked into it at some length when preparing for the Committee. I am advised that it would be a mistake to include a group in the way that he has set out, because if we did so other versions of a community would say, "But you haven't included us." By starting down a road of saying, "It includes this", we would create the potential for something else not to be included.

Also, we want to allow new developments to take place that can provide good examples, and we would like to see those developments before legislation is prepared containing the further definition of "community".

Andrew Miller: Equally, however, taking the point that my hon. Friend the Member for Southampton, Test made, I am sure that the Minister will accept that the word "individual" in subsection (1) does not mean every individual she would want to prescribe. The word "include" does not force her to include, because of the wording of my hon. Friend's amendment. It seems that she is using a selective argument. I ask her to rethink it, because, with a great deal of respect, what she is saying does not make a great deal of sense.

4 pm

Amber Rudd: With a great deal of respect, I do not agree with the hon. Gentleman. The existing legislation allows local authorities to participate, so I do not see the need to set them out as a separate entity, included within the word "community".

For example, Plymouth city council invested £500,000 alongside a local co-operative in a shared ownership scheme, launched in February 2014, that will invest in solar panels on 20 sites. Panels have already been installed on schools and community buildings, and there are plans for a new round of investment raising this year to support further installations. In that example, the local authority invested not directly but via an eligible community entity known as a community interest company. The community electricity right provisions would not close the door to that type of innovative approach. Instead, we will draw on those approaches when designing the details of any secondary legislation to ensure that the provisions are implemented successfully on the ground.

Andrew Miller: I am familiar with the legal basis of CICs. It clearly provides a definition for a community. Given the example of my hon. Friend the Member for Southampton, Test, could a local authority operating a CIC be incorporated in the definition of "community"—yes or no?

Amber Rudd: The hon. Gentleman is entirely correct. Since the example that I gave is already participating and is a classic example of community energy participation, it is fair to assume that a local CIC constructed by the city council would qualify. I do not want to set out different definitions of "community" in this part of the Bill. We want to learn from the existing examples, of which the council is one, and then move on to a better definition, based on actual experience, over the next few years.

Dr Whitehead: If a local authority did not set up a community interest company but decided to invest in a supply to a group of houses through its housing revenue account, as is being done by Southampton city council for a community energy and heat facility, is that acceptable as an investment of 5% of a community electricity programme, in the same way as a community interest company funded by a local authority is?

Amber Rudd: It seems entirely likely that it is. I do not want to give a specific qualification when I do not know the details. I hope that the hon. Gentleman will take from the points I have made in response to his amendment that we intend to include local authorities. We will see how to construct that, and how it will best come through once the voluntary approach has more examples in it. I hope we will be able to use those examples to design the best sort of legislation. In conclusion, I hope the hon. Members have found my explanation reassuring and will withdraw their amendment.

Dr Whitehead: I must say, I can think of more reasons why the helpful amendment should be included, but I am obliged to the Minister for her somewhat helpful clarifications. Therefore, I do not wish to pursue the amendment. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

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

Tom Greatrex (Rutherglen and Hamilton West) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Mr Hood. I will briefly touch on issues relating to the community electricity right. I have some questions, which I hope the Minister can answer. Following on from the discussion on the amendment of my hon. Friend the Member for Southampton, Test, there are wider issues with the clause.

The community electricity right has been presented as a backstop power that will be invoked if the voluntary framework developed by the shared ownership taskforce proves not to be as successful as anticipated in increasing

the number of new schemes that offer stakes to communities. In general terms, we welcome the fact that there is an opportunity to provide a mechanism to help that along the way with the voluntary agreement if the voluntary framework does not prove to be successful.

The remit of the shared ownership taskforce, however, related solely to onshore renewables. The CER, by contrast, seems to include offshore renewables within its scope. Will the Minister clarify, first, whether I have got that right and, secondly, if so, the logic behind linking the CER to the shared ownership taskforce when the two appear to apply to different suites of technologies among different forms of renewables generation? I have received representations from some offshore developers who have been caught slightly off guard by the clause. Did the Government intend to discuss it with some of those stakeholders subsequent to publication of the measure, rather than before? Is there a particular reason why the provision has been framed as it has?

I also note that the clause heading is "The community electricity right", but in the Minister's wider comments on the clause in response to the amendment of my hon. Friend the Member for Southampton, Test, she said—this is clear from the Bill—that we are talking only about renewable electricity. There is an increasing level of decentralised energy right across the sector, and not only in renewables. I am sure that the Minister will recall that the previous time that we appeared across from each other—perhaps even in this room—we were discussing a statutory instrument on the capacity market. As she knows, the capacity market details confirmed at the start of this week include a certain amount of small-scale, distributed fossil-fuel generation. The sub-20 MW generators secured 15-year contracts for 740 MW.

Increasingly, therefore, there is decentralised generation in other areas. That touches on the point made by my hon. Friend the Member for Ellesmere Port and Neston about unconventional gas and some of the areas that we will come to later. At some point in the future, we might have greater scope for small-scale distributed gas extraction as well as generation. Given such issues, does the Minister expect that the CER—which should really be called the community renewable electricity right, in the light of everything that she has said—to be too narrow in focus, or is it simply its description in the Bill that perhaps ought to be looked at again? Does she envisage that the CER or equivalent measures could one day apply to non-renewable electricity sources as well?

I also have a couple of questions about how prescriptive the CER might be. As the Minister said, it is intended as a backstop power, and earlier she set out the time frame in which it will become operative. It might well become a suitable option for many communities, but this is not necessarily about shared ownership alone. Some communities might prefer an agreement that lowers their bills or pays for energy efficiency measures directly. The approach employed in industry takes a range of different options, including the flexibility to suit the communities in question. If that fails, the CER is much more prescriptive, so would it not be much better if it offered or could be applicable to the range of options that we see now?

The hon. Member for Daventry, in his intervention, said that this has been discussed for a number of years. From his discussions, he felt that there was perhaps reluctance among some developers, and that that had been changing in recent times. I, too, have had discussions with a number of different sources who have suggested an increasing awareness of and appetite for securing community stakes in developments. My hon. Friend the Member for Ellesmere Port and Neston gave some reasons for that, such as it helping local communities to engage in the process of the development and to understand the issues, as well as how they use energy. Those are points that the Minister has made in other forums.

If the scheme that we are discussing—effectively, the backstop scheme being allowed—is not flexible enough, perhaps we are missing an opportunity to ensure that the widest possible range of forms of community ownership and engagement with community benefit are built into a backstop to something much more widely cast than the measures appear to be. Can the Minister respond to those points, to aid us in our understanding of the intent and scope of the CER as set out in clause 33?

Amber Rudd: I thank the hon. Gentleman for his comments, which I will seek to answer as best I can. He is right overall that this is a backstop power. With that in mind, one must consider what type of power it is. It does not seek to be prescriptive; it seeks flexibility, so that it can be used if necessary at some time in the future. Given that there are so many different developments in the renewable market, it is difficult to say how it will be used.

The hon. Gentleman's first point was about whether the legislation is out of sync with the taskforce set up specifically to consider shared ownership for onshore renewables. We are clear that if the powers were ever exercised, they would apply in the first place to the onshore technologies that currently form part of the voluntary process, but only if the voluntary process is not successful. There is scope for the community electricity right to cover offshore renewables, but on a much longer time scale. As the provisions give us the flexibility to include such technologies as we think are right, that would be further down the line, without the need for new primary legislation.

If the powers were to be extended to offshore renewables, that decision would be subject to a formal consultation and would be informed by the experiences drawn from other technologies, as well as views from relevant stakeholders in respect of offshore renewables. However, at this stage, it is not our intention to establish a voluntary process for offshore renewables, although we would encourage offshore developers to offer a stake to the community where appropriate.

Andrew Miller: Just for clarity, when the Minister uses the words "onshore" and "offshore", where does she place tidal river barrages and so on? Are they included or excluded?

Amber Rudd: I think I will come back to the hon. Gentleman on that important point in order to give him a certain answer.

To return to the normal type of offshore development with which we are all familiar, offshore wind, we would like developers to offer a stake to the community where appropriate, and we may set up a voluntary taskforce in due course. However, at the moment, we keep an open mind about it.

[Amber Rudd]

The hon. Member for Rutherglen and Hamilton West also mentioned the impact of the capacity market results earlier this week. I will come back to him on that point if I may, so that I can give him a fuller answer. He asked whether concern that the powers were too broad might create uncertainty in the industry; that tied in with the points made by my hon. Friend the Member for Daventry about encouraging developers who might have been slower to participate in the past.

We think that the provisions strike the right balance between providing certainty to industry and retaining a sufficient degree of flexibility for the future. They will allow us to react to changing circumstances, including costs, plans and community views, and the development of the renewable electricity market, and particularly to take on board any lessons from the newly established voluntary approach to increased shared ownership. However, the powers set out the scope, in terms of the minimum size of renewable electricity schemes to which the power could apply, giving certainty to industry and community energy groups.

I understand that "offshore" is defined for the hon. Member for Ellesmere Port and Neston in clause 33(7), so he can let us know what he thinks about that and whether he would like a further view on it in due course.

I hope I have answered the questions of the hon. Member for Rutherglen and Hamilton West. This is above all a backstop power. We feel that it will add momentum and enthusiasm to developers who might not yet have considered whether to engage the community. We want the voluntary approach to work, but if it does not work, the Secretary of State has a backstop power, which is essential for providing extra backbone to the voluntary approach.

Question put and agreed to.

Clause 33 accordingly ordered to stand part of the Bill.

Schedule 5 agreed to.

Clause 34

SUPPLEMENTARY PROVISION

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

4.15 pm

Tom Greatrex: It would be helpful if the Minister clarified a couple of specific points. Clause 34(2)(b) states that the function imposed on renewable projects may include

"the exercise of a discretion".

What kinds of discretions does she and her Department have in mind? The explanatory notes state that it could cover the type of stake to be offered. Will she clarify what differences there might be between the types of stakes offered to communities? Does she envisage the Government defining those different types of stakes, or does she envisage that being done on a more ad hoc basis?

Subsection (5) states that the CER will

"not apply to a renewable electricity generation facility if development of the facility has reached a stage of advancement".

What does "stage of advancement" mean precisely? Although the subsection refers to a commencement provision, renewable energy projects do not always have a clear break between construction and operation. In a turbine array, for example, turbines may become operational before the array is completed, so the distinction between those two points is key for the mechanism's design. Has any thought been given to that? Can the Minister offer further detail on exactly how that will work? I suspect the final clarity to be in secondary legislation, but it would be helpful to have an indication of the Government's thinking, because although this may appear to be a semantic point, it could have a significant effect on the way that the measure operates.

Amber Rudd: Clause 34 is a supplementary provision with the objective of enabling proper implementation of the community electricity right regulations, if they are ever needed. The clause includes three important elements: the conferral of functions in relation to the implementation of the community electricity right; the determination of the exact stage of development at which the regulations would apply; and a requirement to review the community electricity right provisions as a whole once they have been in force for five years. I will briefly explain the first two points.

First, the clause sets out the functions that may be conferred in relation to the community electricity right, including the types of functions and upon whom they may be conferred. That may include imposing duties, such as in relation to enforcing the community electricity right, and exercising discretion, such as in relation to renewable electricity developers choosing the kind of stake offered to communities.

To answer the hon. Gentleman's point about the wording, discretion is to be exercised in deciding whether a new type of development is exempt from the right. There might be a form of community scheme that is not foreseen in regulations, and the main point about the word "discretion" is that it allows flexibility so that we can assess different projects as they are proposed. There might also be a requirement to consult, such as developers being required to consult the community on the type of stake to be offered, or there might be a requirement to take account of any guidance on the implementation of the community electricity right. Those aspects will ensure that the community electricity right regulations may be implemented successfully, if they are ever needed.

The second aspect of the clause is aimed at providing certainty to industry about which projects will be captured by any new regulations. That is important. Let me make clear our intention that the measure will not apply retrospectively and will apply only to new projects proposed in the development process. The exact stage of the development process to which the backstop powers apply will be determined in any secondary legislation, which addresses some of the hon. Gentleman's remarks on subsection (5). Secondary legislation would follow a formal consultation and would take on board lessons from the voluntary approach launched in November last year by the shared ownership taskforce.

I hope the hon. Gentleman will allow that flexibility in the Bill. As he is aware, the shared ownership taskforce is a new initiative. We want to give the voluntary approach time to work and we hope to learn from it. We also hope that there will be more detail on the answers to his specific questions when we bring forward further legislation.

Question put and agreed to.

Clause 34 accordingly ordered to stand part of the Bill.

Clause 35

THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

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

Tom Greatrex: I will speak briefly on the Extractive Industries Transparency Initiative, which is the subject of the clause, and the application the UK is currently in the process of making as a candidate member of the EITI standard. I realise that the initiative is largely the responsibility of the Department for Business, Innovation and Skills rather than the Department of Energy and Climate Change, but I hope the Minister will be able to respond to some questions I have on it.

The Minister will be aware, as will many members of the Committee, that the initiative was launched by the previous Government back in 2002 as a way of ensuring that oil industry companies were obliged to disclose financial transactions and that Treasuries were obliged to disclose the revenue. As people could probably have anticipated, it was initiated for countries where there were questions about the veracity of information from oil industry companies and suggestions of clandestine payments to Government in exchange for concessions. It was initially trialled in Nigeria, Azerbaijan, Ghana and some other countries. In many of the countries for which the EITI was designed, taxpayers had absolutely no sight of those transactions and there was a fear that in some developing countries mineral resources were proving a hindrance rather than an aid to development. I therefore support the rationale for the initiative, which has been helpful in bringing some transparency to such transactions in those parts of the world.

In the UK we are obviously in a different situation. I do not count myself in this category, but there are some in this House—at least one, anyway—who regard themselves as the most fervent opponents of fossil fuel industries. However, I do not think that even they would suggest that we operate the type of regime that the EITI was initially intended to address. I think—I wonder whether the Minister can help me on this—that the reason why the UK is determined to participate in the initiative is so as to be able to set a good example. I would argue that we set quite a good example in introducing and helping to establish the organisation back in 2002, but the serious point is this. How can we allay concerns that if more developed countries with a strong civil society and transparency record now join the EITI—Norway is also on the list of applicant countries—the organisation's initial focus on preventing the potential misappropriation of funds and the various payments that I described will be lost?

Can the Minister also help us on the time scale for this matter? I remember reading an article by the Under-Secretary of State for Business, Innovation and Skills, the hon. Member for East Dunbartonshire (Jo Swinson), in *Wireline*, the magazine of Oil and Gas UK, which is a publication that I am sure the Minister reads as often as I do—the autumn edition is particularly good, as it includes a very good article from someone on the Labour Benches about the Wood review. The hon. Member for East Dunbartonshire suggested that the time scale for the process meant that the UK would become a compliance country by April 2017 and effectively part of the EITI after a 13-month validation period.

The hon. Member for East Dunbartonshire also mentioned in that article the expectation that the templates that companies falling within the scope of the EITI would need to complete as part of the process would be sent out by March 2015, to be returned by July 2015, to help the independent administrator to reconcile the information. Has any thought been given to the appropriateness of that time scale? I am not suggesting that there is a problem with the end point, but are the Minister's officials and her colleagues in BIS absolutely confident that the period from March to July provides those companies with enough time to provide that information in a comprehensive and meaningful way?

As I said at the outset, I am not against the UK's membership of this initiative. I think it is a good initiative and there is some value in the UK's being part of it. However, it is important that the information available is properly comprehensive and, therefore, that there is an appropriate amount of time to ensure that the information coming in is properly completed—and verified, I presume, by BIS—before it enters the assessment process. It would be wise to check that that is the case, so that the UK can be involved—as I am sure is intended—as an exemplar rather than participating in a less complete way.

Amber Rudd: I thank the hon. Gentleman for his comments. It is good to hear his broad support for clause 35, which will give HMRC a new function, allowing it to participate in the EITI. On 22 May 2013, the Prime Minister announced that the UK would be signing up to the EITI, and in October last year the UK was officially accepted as an EITI candidate country. In countries that sign up to the initiative, the EITI provides an assurance that companies will publish what they pay for extracting natural resources in that country and that the Government will disclose the money they receive from that. By joining the EITI and encouraging other countries to do likewise, the UK will play its part in improving the way that revenues from oil, gas and minerals are managed and in ensuring that people across the world share in the economic benefits of the natural resources of the countries they live in.

The hon. Gentleman asked whether the UK's joining the EITI would be a positive thing, given that other countries from the developed world might serve somehow to dilute the initiative. I do not share that view. In general, the view is that the more countries that join, the stronger the EITI will be. The view from industry is quite supportive. The main reason for the UK's signing up to the EITI was to provide international leadership and encourage other countries to follow suit. To promote it further, the UK is working closely with the EITI international board, bilaterally and in international forums, to encourage other countries to adopt common global standards for extractive transparency.

In addition, the Department for International Development is in the lead in influencing other countries to sign up to the EITI. The UK has contacted other countries to discuss their experiences of implementation and invited counterparts from overseas to observe the UK multi-stakeholder group. We are encouraged and enthusiastic about supporting the EITI and ensuring that the UK continues to play a leadership role.

The hon. Gentleman asked about timing and whether 2017 was too long or achievable. I would point out that there is an 18-month deadline from successful candidacy

[Amber Rudd]

applications to getting the first report out, so our report will be due out by April 2016. We are hopeful of sticking to that timetable, but it could not be any faster, given our current status.

Tom Greatrex: Just to be clear, my concern was not necessarily about the endpoint of the time scale; it was specifically about the time frame within that for companies to which the provision will apply to provide the information needed for that assessment to happen. I am concerned about whether they will be able to do that comprehensively enough for the Government to be satisfied that the process is robust. In particular, I was asking whether sending the template out in March—it seems from the article by the hon. Member for East Dunbartonshire that the time frame will be between March and July 2015—would give enough time for it to be returned and assessed prior to the independent assessment that is part of the application process.

4.30 pm

Amber Rudd: I am grateful for the hon. Gentleman's clarification. I can reassure him that the industry is working closely as part of the multi-stakeholder group and is indeed supportive of the timetable.

As the UK's tax authority, HMRC will have a leading role in providing information on payments received. The clause will ensure that HMRC will be able to participate in this important initiative and is the minimum legislation required to meet the UK's public commitment to the EITI. I commend the clause to the Committee.

Question put and agreed to.

Clause 35 accordingly ordered to stand part of the Bill.

Clause 36

MAXIMISING ECONOMIC RECOVERY OF UK PETROLEUM

Tom Greatrex: I beg to move amendment 6, in clause 36, page 39, line 10, after "industry", insert

"and the co-ordination of the transportation and storage of CO2"

The amendment relates to the scope of the Oil and Gas Authority, aspects of which are established through clause 36. An amendment was tabled, not by members of the Committee, to remove the clause completely, which would be a mistake. Perhaps we will come to those wider discussions when we get to clause stand part.

In the time that the Minister has been in the Department, she has become well aware of the level of interest in carbon capture and storage among a number of Members who are keen and concerned to help the Government on their way to ensuring that the ambitions for it, which are frequently cited in her Department's publications, on its website, and on road maps and everything else, are achieved. If we are to achieve lower carbon overall—in terms not just of energy but of industrial emissions—it is vital that carbon capture and storage plays a significant part. There are few, if any, ways of realistically and significantly reducing industrial emissions without carbon capture and storage, other than the loss of those emission-producing industries, which would be to the detriment of the UK, particularly in certain areas where such industries are clustered, which tend to be away from south-east England.

The amendment would ensure that the scope of the proposed Oil and Gas Authority is appropriate to ensuring that those CCS developments, particularly in relation to the point about offshore storage and the storage of carbon dioxide, are given a fair chance to make some progress. The process of establishing the Oil and Gas Authority follows the report from Sir Ian Wood, which we may come to in a little more detail. It is very much focused on maximising economic recovery and there are good reasons for that, as there were prior to the oil price changes that we have seen in the past few weeks, but it is also important in relation to developing potential storage sites and seeing that as an opportunity.

As this part of the Bill is currently written, the measures are relevant in terms of carbon dioxide storage only where there is enhanced oil recovery. That leaves us with a concern that the development of those storage sites will be at a disadvantage in the work that the Oil and Gas Authority undertakes in its early stages. The amendment is designed to ensure that the scope of the Oil and Gas Authority explicitly and completely includes carbon dioxide storage sites in the North sea. Those may well become a very good economic opportunity for the UK, given that carbon capture and storage is not just of interest to the UK. We are in the rare, if not unique, position of having many potential carbon storage sites. Other states do not have the benefit of that.

The amendment is designed to help in that way, and I hope that the Minister will accept that intent. It does not contradict the Government's own stated intentions for carbon capture and storage and decarbonisation. I therefore hope that the Minister will reflect on that and perhaps accept the amendment, which would help to enhance the Bill and to get us further along the path towards making real progress with carbon capture and storage in storage sites in the North sea.

Dr Whitehead: The amendment throws into relief a number of the problems that exist at present with the development of a mature series of oilfields in the North sea. The regime that has ruled the development of a field may transpose itself into one that has a substantial hand in securing long-term facilities for carbon capture and storage in the North sea. Those facilities may not only be of benefit to the UK but could also act as a repository for European carbon and therefore be a substantial source of income for the UK in the longer term. One difficulty that the Select Committee of which I am a member has identified in the past is the lack of continuity between licensing arrangements for the exploitation of petroleum, oil and gas in the North sea and licences to do anything else. Someone has to start from scratch to realise that potential.

One witness who gave evidence to the Energy and Climate Change Committee pointed out that he had obtained a hydrocarbon extraction licence for a field in the North sea. That field subsequently proved to be uneconomic for extraction. He thought, however, that it might be suitable for CO_2 storage. Despite the assistance of DECC officials at the time, there was no regime that would allow him to convert the licence into one for CO_2 storage, and he therefore had to return it. Indeed, the present arrangements for licences are very much based on the idea that a field is exploited and when that field is no longer economically recoverable, there is then the

task of closing it down, removing the equipment and pipelines from it, capping the wells and effectively declaring it dead.

Substantial activities are going on at present in the North sea to decommission some 500 installations and 35,000 kilometres of pipeline as a result of the maturing of that field and the redundancy of the equipment at the end of the licensing period. Not only is that large amount of work under way, but it is under way at a very substantial cost, currently estimated at £23 billion. Individual installations come in at between £5 million and £300 million.

So a very large amount of money is going into closing down installations when, at the same time, we have the prospect of a substantial industry—the storage end of carbon capture and storage—that could use a lot of those facilities. It would use the same holes in the ground from which the oil and gas had been extracted. Obviously, instead of taking stuff out, you are putting it in, but a lot of the techniques are essentially the same.

We have a regime that effectively extinguishes a licence, with all the consequent arrangements and costs that that entails, and then declares a field dead. If someone wishes to come along and develop that same field for carbon capture and storage, they have to start again from scratch and unpick the work that has been done to finish the oil field. They then declare it open for business for carbon capture and storage.

It so happens that the body that gives one lot of licences out may be responsible for the other lot of licences. In other words, it gets the same amount of money twice for doing something that should be—or could be—a continuous process. Interestingly, the body that gets that licensing money twice gives money back to the Treasury. The Treasury then gives out money for exploitation of the North sea oil fields; it is a roughly circular process. If we are to maximise the resource of the North sea—after all, that is what the clause is about—we need to make sure that we are not maximising a resource in one direction and denying the opportunity to maximise it in another direction. That is precisely what the present regime is in danger of doing.

So, including the question of carbon capture and storage within the definition of maximum economy recovery points in the direction of developing a much more coherent regime in the longer term for those fields. In trying to end the exploitation in one direction, we are cutting off a route to move in another direction, which I think all of us would agree is very important for the UK, in terms of carbon capture and storage that can make use of those facilities.

4.45 pm

Andrew Miller: This is an important addition for us to consider. We need to ensure that when the Bill is enacted it facilitates the development of technologies. By way of illustration, I will, if I may, take Committee Members back through my own working life, a part of which started in geology. In the '60s and '70s we were developing techniques that were regarded as cutting edge. Concepts such as carbon capture were not considered for another 15 years after I left that discipline.

I come from humble beginnings—there are people with much more eminent scientific qualifications, such as the hon. Member for Suffolk Coastal, who has a PhD in chemistry. She will recognise that the techniques developed in science and engineering have advanced incredibly rapidly over the past 10 or 12 years, partly as a result of the more recent developments in supercomputing and the tools that that can produce. That has fundamentally altered our understanding of the sub-surface geology of the UK, which in turn has opened up the opportunities that we will discuss in our debates on later clauses.

It has also opened up opportunities to understand better the incorporation of carbon capture in some of our ex-wells more effectively. The UK is beginning to develop some extraordinary skills in that technology. This part of the Bill covers a sector in which the UK is in a pre-eminent position. Whatever we do with the Bill, it is critical that we improve public confidence in our ability to regulate these technologies, some of which are controversial, and that we enable the science and investment communities to introduce new technologies that will impact profoundly on the security of our economy and energy supply.

It is critical that we take a flexible approach as we go through this part of the Bill. In that context, I urge the Minister to look with some care at the amendment tabled by my hon. Friend the Member for Rutherglen and Hamilton West, because flexibility is required to create a more all-embracing, enabling Bill that, with a strong regulatory regime, will allow us to both look our constituents in the eye, in terms of giving them confidence that we are dealing with their legitimate regulatory concerns, and address some of the country's big economic challenges. Against that background, I urge the Minister to give some thought to my hon. Friend's amendment and to similar aspects of this part of the Bill as we proceed.

Amber Rudd: I thank the hon. Member for Rutherglen and Hamilton West for tabling amendment 6, because we have heard some very interesting comments from the hon. Members for Southampton, Test and for Ellesmere Port and Neston based on their significant knowledge of the subject

I want to reflect on some of the points that have been made. Amendment 6 would extend the "maximising economic recovery" principal objective to include co-ordination of the transport and storage of carbon dioxide. The storage and transport of carbon dioxide is not directly related to the recovery of oil and gas, and although there is a clear need for collaboration, it is a nascent industry. Consequently, the Government are of the view that it is premature to extend the obligations on the Secretary of State and industry to matters on which we cannot say with certainty how relevant they will be to maximising the economic recovery of petroleum. We believe that further discussion with industry and the relevant trade associations is required before we can say with certainty how the principle should apply to areas such as carbon capture and storage.

Nevertheless, I would like to reassure hon. Members that CCS is not being overlooked in the creation of the Oil and Gas Authority. As announced in the Government response to the Wood review, in addition to its role associated with licensing and stewardship functions related to oil and gas recovery, the OGA will have responsibility for issuing carbon dioxide storage licences and approving carbon dioxide permit applications.

[Amber Rudd]

The OGA will have a responsibility to ensure that CCS is considered as part of a proposed decommissioning plan. That will ensure a strategic, joined-up approach within the OGA on both CCS and maximising economic recovery of UK oil and gas.

Additionally, in line with the Wood review recommendations, the OGA, with the input of industry, will be required to produce a number of important sector strategies to underpin delivery of MER UK. Among these will be decommissioning and technology strategies, to achieve the maximum economic extension of field life and to ensure that key assets are not decommissioned prematurely, and to examine the business case for the use of depleted reservoirs for carbon storage and possibly enhanced oil recovery. The hon. Member for Southampton, Test was particularly concerned about that.

I reassure Committee members that the UK has one of the most comprehensive programmes on CCS anywhere in the world, to support the commercialisation of the technology and develop the industry. Indeed, my right hon. Friend the Member for South Holland and The Deepings, when a Minister in my Department, formulated the first competition, which was so important for stimulating carbon capture and storage.

Our CCS programme includes a competition with up to £1 billion capital plus operational support for the large CCS projects and a £125 million research and development and innovation programme. As this technology develops, we will ensure a strategic approach to deployment in the UK's continental shelf.

The hon. Member for Rutherglen and Hamilton West suggests some lack of commitment to CCS, due to its not being included in this proposal for MER, but that is absolutely not the case. We remain committed and agree with his assessment that the UK is one of the leaders in this technology. However, it is still a nascent technology. Therefore it is not yet clear how the concept of maximising economic recovery will apply in practice. Although collaboration will be important in this area, further discussion is needed with industry and the trade body before we take steps to set out an obligation in the Bill.

I hope that the hon. Gentleman found my explanations reassuring and will, on this basis, ask leave to withdraw his amendment.

Tom Greatrex: The Minister is right to say that the opportunities are there but are not necessarily yet developed. Her ministerial colleague sitting next to her, the right hon. Member for South Holland and The Deepings, was previously in her Department, and although he may have been there for a short period, during that time he certainly got a lot of attention for many different things, including for work on CCS, which had some more attention than it might have had previously and subsequently, within the Department.

It is not necessarily true any more to say that we are in the lead in this technology, as we have been saying for a number of years. If we are still in the lead, it is diminishing now that there is an established power project in Canada and now that the partnership work that the UK Government have been involved in in China is starting to bear fruit—but in China, not the UK. In the Bill we are setting up a new regulator for the UK continental shelf, following the Wood review, which has at its heart the need for collaboration, not just to maximise economic recovery, but to achieve wider energy goals. The issue about how we ensure that the transportation and storage of carbon dioxide is achieved fits exactly into that.

I will not press the amendment to a vote, because the Minister has said, and I take her word, that there will be discussion with the trade body and the industry about developing this. However, I want to say for the record that it is important that those discussions happen.

The Oil and Gas Authority, when established, will have some urgent things to consider and, given the current economic context in the North sea, it is important that these are regarded not as an add-on to its work, but as integral to the work it needs to do. If that does not happen, we may find that, despite all the comments made by all parties in the House about how far ahead we are, how many opportunities we have, and the position we are in with a potential storage facility, we end up talking about those advantages as a missed opportunity rather than one that we are still able to achieve.

Amber Rudd: It is absolutely our intention to ensure that CCS is at the front of our strategy. We recognise, as does the hon. Gentleman, the important role it can play. I repeat that it is a nascent strategy, but that does not mean it is not important. The OGA, the new body being set up, will have its obligation to develop and license CCS at its core. That is not part of this particular element, but it will be up to the new authority to form a strategic policy around supporting both sides.

Tom Greatrex: I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

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

Tom Greatrex: I want to make a couple of comments on clause 36. They relate to some of the comments made in the previous discussion, but are slightly wider regarding the OGA. When we started our deliberations on the Bill prior to Christmas, I think my hon. Friend the Member for Birmingham, Northfield referred to it as being a portmanteau Bill—maybe the explanatory notes say that, but it has lots of things in it from lots of different directions. Clause 36 is one of the more significant and urgent parts of the Bill.

In the context of what has been happening in the North sea in the past few months, particularly the past few weeks, the clause has got more attention than it had before. However, it is important to remember that the Wood review, which the clause effectively begins to implement, was done in the context of what was a mostly mature basin, even prior to the recent changes in oil price. It is pretty obvious that oil revenues, by record, are volatile; we can all see that and have seen it in the past few months. Oil resources and recoverable resources are, by definition, declining. As we get more out of the sea there is less left in it. Therefore, the need to ensure that the economic recovery of what is becoming a mature basin—and was a challenging place to be extracting oil prior to what we have seen in the past few months—is vital.

I want to briefly ask the Minister about a couple of points around the OGA. As the OGA is within a Bill that covers lots of other things, I am sure it was incorporated because it was the most appropriate vehicle to get it through and in place as soon as possible, given recent events and what we have seen happening in the North sea—we have started to see for the first time in many years some significant numbers of job losses in some of the operators in the north-east of Scotland and some significant concerns from a number of operators about the longevity of some of their operations. When the break-even point might well have been at $70 or $90 a barrel, the longer we have an oil price at $50 a barrel, the harder it becomes to justify continued levels of investment in the North sea.

Will the Minister clarify, given that the clause is in the Bill to institute the OGA, in line with the Wood review, as soon as possible—the chief executive has been appointed—what would happen if the Bill did not pass and that was delayed? What functions and roles that the OGA is being established to fulfil would it be unable to do? That is an important point around the wider context of the Bill. If it does not, for some reason, take effect prior to the end of the Parliament, that could have significant and real implications for the North sea at what is currently a critical time. It was urgent prior to the start of the changes in price in late summer and has become, to many observers, critical. I would appreciate it if the Minister responded to that specific point because it is important that the Committee is well aware of that to aid our deliberations of subsequent clauses and as we reach Report.

Amber Rudd: Clause 36 provides for an overarching MER UK principle that places a requirement on the Secretary of State to act in accordance with the strategy when exercising relevant functions, which will include working with petroleum licence holders, operators under petroleum licences, owners of upstream petroleum infrastructure, and persons planning and carrying out commissioning of upstream petroleum infrastructure, in order to maximise economic recovery from the UK continental shelf. Our aim is to maximise economic recovery of oil and gas from the UK continental shelf in order to maximise long-term added value to the UK as a whole. The principle applies to all activities at all stages of the oil and gas recovery life cycle, starting from exploration, through appraisal and development and finally during decommissioning.

5 pm

The clause creates a framework to establish the MER UK definition in the strategy. Flexibility in approach is needed to keep pace with the developing needs for exploration and production in the North sea and changes in technology. We believe that is best achieved through a strategy that can adapt to new challenges and the evolving needs of oil and gas in the North sea. The clause requires the Secretary of State to produce a strategy for enabling the principal objective—maximising economic recovery—to be met. The strategy will be developed over a period in a tripartite manner.

The hon. Gentleman referred specifically to how challenging it will be to deliver MER UK when the market sentiment is bearish and oil prices keep falling. We are facing challenging times, but the Government are committed to implementing the Wood review, which he referred to, to maximise economic recovery. We believe that, by acting in accordance with the strategy, there will be a significant reduction in costs through increased collaboration, which will bring real benefits to licence holders. That benefit would not be possible without the clause.

The hon. Gentleman asked, in a slightly fatalistic way, what would happen if the clause did not stand part of the Bill. However, I judge that, from his enthusiasm for the principles that we have put here and from the lively enthusiasm of Government Members, that will not happen. As he is aware, the setting up of the Oil and Gas Authority as a separate entity is a little way away. In the meantime, it will be an executive part of my Department, but we are committed to ensuring that that takes place, because we share his concerns about the industry, given the dramatic changes in prices. On that note, I hope that the hon. Gentleman will be able to support the clause.

Question put and agreed to.

Clause 36 accordingly ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned. *—(Dr Thérèse Coffey.)*

5.2 pm

Adjourned till Tuesday 13 January at twenty-five minutes past Nine o'clock.

Written evidence reported to the House

IB 27 CIWEM

IB 28 British Property Federation

IB 29 Vernon Moat