PARLIAMENTARY DEBATES

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GENERAL COMMITTEES

Public Bill Committee

ENERGY BILL [*LORDS*]

Third Sitting

Thursday 28 January 2016

CONTENTS

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Monday 1 February 2016

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: †Philip Davies, Mr Adrian Bailey

† Boswell, Philip *(Coatbridge, Chryston and Bellshill)* (SNP)
† Cartlidge, James *(South Suffolk)* (Con)
† Dowden, Oliver *(Hertsmere)* (Con)
† Fernandes, Suella *(Fareham)* (Con)
† Hall, Luke *(Thornbury and Yate)* (Con)
Harpham, Harry *(Sheffield, Brightside and Hillsborough)* (Lab)
† Heaton-Harris, Chris *(Daventry)* (Con)
Hoare, Simon *(North Dorset)* (Con)
† Kinnock, Stephen *(Aberavon)* (Lab)
† Leadsom, Andrea *(Minister of State, Department of Energy and Climate Change)*
† Lewis, Clive *(Norwich South)* (Lab)
† Lynch, Holly *(Halifax)* (Lab)
† McCaig, Callum *(Aberdeen South)* (SNP)
† Maynard, Paul *(Blackpool North and Cleveleys)* (Con)
† Pennycook, Matthew *(Greenwich and Woolwich)* (Lab)
Reynolds, Jonathan *(Stalybridge and Hyde)* (Lab/Co-op)
† Smith, Julian *(Skipton and Ripon)* (Con)
† Sunak, Rishi *(Richmond (Yorks))* (Con)
† Warman, Matt *(Boston and Skegness)* (Con)
† Whitehead, Dr Alan *(Southampton, Test)* (Lab)

Katy Stout, Ben Williams, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 28 January 2016

[Philip Davies *in the Chair*]

Energy Bill [*Lords*]

Clause 18

Overview of Part 2

11.30 am

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

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

Clause 19 stand part.

New clause 8—*Regulation of carbon storage activity*—

'(1) The additional functions of the OGA related to offshore petroleum provided for by Part 2 of this Act, shall also be exercisable by the OGA in relating to the carbon storage activity of holders of offshore licences and licensees as defined in section 19."

This amendment would extend the functions that the OGA has in relation to holders of offshore petroleum licences, so that they also apply to carbon capture activities by those licensees.

Dr Alan Whitehead (Southampton, Test) (Lab): The purpose of new clause 8 is to ensure that where activities relating to either carbon capture and storage or carbon storage take place in the North sea in the future, the regime relating to those licensed activities would be the same as the regime currently in place for other activities under the Bill.

There is a reason why I think that that is potentially important at a stage earlier than might otherwise be thought—bearing in mind that at the moment there is no carbon capture and storage, and therefore one might think that regulating to make compatible activities of the two kinds would be rather far off. Nevertheless carbon storage is mentioned in its own right. It is more than possible to introduce carbon storage into the North sea process without a full carbon capture and storage process being under way. That would be particularly relevant in the context of enhanced oil recovery.

Clearly, one thing that should be a consideration is the extent to which enhanced oil recovery might become part of the process of maximising the economic recovery of the North sea as a whole. From the guidance about what, in strategy, maximum economic recovery looks like, it appears that carbon storage or other forms of injection to enhance that oil recovery might well become part of the consideration. If a number of wells are effectively close to depletion the injection in various ways of different kinds of materials, but particularly carbon dioxide, could be a part of considerably lengthening the life of the field.

More academic studies have shown—I commend one in particular, called "CO_2 storage and enhanced oil recovery in the North Sea"—that with various kinds of injection the ability to enhance recovery can be quite considerable. Injection can take several different forms. It is not just a question of CO_2 injection; it could be sea water, it could be CO_2 only or it could be mixtures in various proportions. One is water alternating gas, for which I understand the acronym is WAG; I must say that I thought WAG injections meant footballers' wives going to get their top-up of botox, but it turns out that they are not that at all. We could also have simultaneous water alternating gas—SWAG—which we will not go into any further.

The point that I am trying to make is that a number of different techniques can enhance oil recovery. Some, but not all, would involve CO_2, but all of them would be enhanced if it was injected as part of the process. The processes do not necessarily depend on a fully formed carbon capture and storage process, although injection for enhanced oil recovery is part of the process at the world's first fully operational, down-the-line carbon capture and storage facility, at Boundary Dam, in Saskatchewan. However, it is feasible, for example, to bring carbon dioxide to an oilfield by other means and to inject it, without having the full line developed.

It is therefore possible, in the context of carbon capture and storage as a future arrangement, that such processes will come upon us rather earlier than we might think. Academic studies certainly suggest that, depending on the arrangement involved, the enhancement of recovery can vary between 1.5% and 10%, which is by no means negligible.

It would, therefore, probably be a good idea, at an earlier rather than a later date, to bring processes relating to carbon storage into line with what is happening elsewhere in the Bill. That is essentially what the new clause seeks to do, so that, when the various elements of the Oil and Gas Authority's oversight of these processes are looked at, there is a clear line of sight between present arrangements relating to oil and gas and future arrangements relating, in particular, to carbon dioxide storage.

The Minister of State, Department of Energy and Climate Change (Andrea Leadsom): Good morning, Mr Davies.

New clause 8 would extend the OGA's functions in part 2 of the Bill to the carbon storage activities of an offshore petroleum licensee. I absolutely understand the hon. Gentleman's intention in seeking to make the most of the opportunity presented by the Bill, but those who undertake carbon storage activities must have a carbon dioxide storage licence, not an offshore petroleum licence. The activities he mentioned would therefore be undertaken under a carbon dioxide storage licence, not an offshore petroleum licence. It is therefore unlikely that an offshore petroleum licensee would ever undertake carbon storage activities. I am afraid to tell him that the new clause is therefore flawed.

I would, however, like to assure Committee members that, under MER UK—the maximising economic recovery UK strategy—the OGA is considering CO_2 enhanced oil recovery as part of wider EOR work. CO_2 EOR could make a substantial contribution, as the hon. Gentleman rightly pointed out, to lowering the cost of CCS projects, as well as benefiting North sea revenues and jobs. However, more analysis is needed on the timing of future CCS projects and how they might affect CO_2 EOR development, and on the viability of redeveloping abandoned fields as CO_2 EOR projects.

The OGA will collaborate with the CCS industry and foster innovation in EOR technologies. Specifically, it has already planned work on EOR, including on advancing the next tranche of EOR technologies and developing a framework for their economic implementation. It will also develop a CO_2 EOR strategy and a five-year plan during 2016.

I am afraid that I must tell Members that, as the Bill is drafted, the OGA could apply the powers in part 2 to any activity carried out under an offshore petroleum licence. If an offshore petroleum licensee undertook preliminary work under an offshore petroleum licence, with a view to applying for a carbon dioxide storage licence, that work would be within the scope of the powers in part 2. That could include any activity that might relate to carbon storage for which a carbon storage licence was not necessary—for example, laying a new pipeline to transport petroleum that in future might be reused for carbon dioxide transportation.

For those reasons, I suggest that this new clause does not achieve its intention, and furthermore that the existing drafting of part 2 of the Bill achieves the intention that the hon. Gentleman desires, inasmuch as it possibly can. I hope that all hon. Members will accept my explanation for why this new clause is unnecessary and inappropriate. I hope the hon. Gentleman will be content to withdraw it.

Dr Whitehead: I thank the Minister for that full response to the intent of the new clause. Although I am happy not to press it, in part on the basis of the explanation provided by the Minister, I still have a slight reservation. There is a specific clause in the Bill that states that people may have carbon dioxide storage licences. Since that clause exists, the intent of the new clause was to link the fact that one was not just undertaking activities pursuant to the idea that one might have a carbon storage licence but to link in the activities when that licence was issued.

The fact is that we are not in a position, as far as this Bill is concerned, of there being no interest in carbon dioxide storage licences, because there is a clause that specifically states that such licences can be obtained and used. Following from that, it therefore seems in principle reasonably logical that one ought to tie in a process when that licence has been obtained of considering the consequences of that licence, as far as the other provisions of this Bill are concerned.

My intent in tabling the new clause was not, as it were, to jump ahead of the Bill and to start putting in provisions that were inappropriate for what is already there, but to add to what is in the Bill already and to try to bring that into line with what the Bill states.

The Minister states that, certainly as far as activities pursuant to obtaining a licence are concerned, what goes on at present in this Bill is fully covered in terms of what those activities might represent, but it is that further area that remains a concern of mine. The new clause may well be drafted insufficiently well to undertake fully that linkage activity. However, I remain concerned that, since there is already something there, at some stage that ought to be linked in with how the Bill operates.

Question put and agreed to.

Clause 18 accordingly ordered to stand part of the Bill.

Clause 19 ordered to stand part of the Bill.

Clause 20

QUALIFYING DISPUTES AND RELEVANT PARTIES

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

The Chair: With this, it will be convenient to take clauses 21 to 27 stand part.

11.45 am

Dr Whitehead: I want to raise a rather more general issue relating to the clause: what the status of disputes might look like as far as the Oil and Gas Authority is concerned and how the disputes arrangements set out in the clauses relate to what disputes might look like in practice. The wording of the clauses strongly suggests that, essentially, the OGA will oversee and adjudicate disputes between two other parties, and that the tribunals machinery towards the end of the clause will operate to resolve disputes between the OGA and third or fourth parties.

However, it seems to me that in practice, particularly in terms of what is set out in the strategy document "Maximising Economic Recovery of Offshore UK Petroleum" and the powers and definitions envisaged for the OGA that will apply to the MER process, many of the disputes may well be between a third party and the OGA. That is underlined by some of the definitions and directions suggested in the MER UK strategy.

For example, the OGA has powers relating to the making of what the strategy calls a "satisfactory expected commercial return". The OGA is not just in the business of ensuring that come what may, every company in the North sea runs at maximum possible speed to secure extraction; it must clearly consider, on the basis of those activities, what might constitute a reasonable and satisfactory expected commercial return, which the strategy itself says is a wide concept.

The strategy also suggests that what is economically recoverable is also a fairly wide concept. Is there an obligation on a petroleum company faced with the prospect of recovering petroleum that that company considers not economically recoverable in general terms? Economic recoverability is a fairly variable term, depending on the current price of oil, all sorts of other factors relating to extractability and, as we have discussed in this Committee, factors relating to the size of the field, its connection to infrastructure and various other matters.

The question of what is economically recoverable and what a satisfactory expected commercial return is puts two layers of uncertainty on to the process of potential disputes involving North sea companies and the OGA. There is an interesting overall question of commercial return in the strategy, at the end of the definitions. The strategy expressly acknowledges, in the context of commercial return, that

"although there is a legal obligation to pursue economic petroleum, commercial operators cannot be expected to take on risks for a very marginal return. However, this concept of commercial is limited by what is 'a reasonable return' in all of the circumstances. To that extent, projects which are low-risk are likely to justify only a more modest return on investment whereas more complicated projects may reasonably justify a higher return".

Clearly, the strategy already envisages a wide range of uncertainties about what the theoretical concept of maximising economic return will mean in the context

[Dr Whitehead]

of real business in the North sea—who is there, what they are doing and the circumstances in which they are attempting to extract. I emphasise that point because once this strategy and the dispute provisions are in operation, although I would not say that it is likely to be a lawyer's paradise, it has the potential to develop a number of grey areas of dispute between those companies and the OGA about exactly what is meant by these various terms as far as the processes are concerned. We should bear it in mind that that is what we are starting with in the new process of the OGA, rather than something that develops as the OGA progresses. If someone has a dispute, who is it with? The OGA. Who decides how that dispute should be determined? The OGA. Who provides penalties and sanctions if the dispute is not resolved? The OGA. There is at least a whiff in this clause that the OGA might be judge, jury and executioner in those dispute processes.

Under those circumstances, I can imagine an energy company in the North sea with a dispute thinking, "Well, I think I can predict how this dispute is going to turn out if I go to the OGA and decide that there is a problem here." I may have misunderstood this clause, but there does not appear to be a mechanism that provides, at the very least, the necessary Chinese walls within the organisational process to maintain confidence that, when disputes arise, external parties have a reasonable certainty that the dispute will be considered as it should be, in the light of resolving those grey areas properly and perhaps changing elements of the decision by taking representations on those grey areas and on how the OGA reacts to their being re-examined.

Unless it can be shown that I have entirely missed a clause or two in this chapter, the main clauses, other than a subsequent reference to a tribunal at the end of the chapter, do not give great comfort that the original process will be as good as it might be. Does the Minister consider that the arrangements, as currently structured, provide that reasonable certainty and equity in the resolution of disputes? Or does she consider that, at a future date, additional safeguards may need to be built in to ensure that the process can be operated fairly, and observably fairly, for all the partners in the North sea?

Andrea Leadsom: The hon. Gentleman is quite right to raise this interesting and important area. The clause sets out the scope of the OGA's new dispute resolution process. It requires that at least one party to a dispute is a relevant party—a person listed under section 9A(1)(b) of the Petroleum Act 1998—and that the dispute must be about issues that are either relevant to the fulfilment of the OGA's principal objective or relate to activities under an offshore petroleum licence. The OGA is restricted from considering any dispute that is already the subject of an application for third-party access to upstream petroleum infrastructure under the Energy Act 2011 or any issues that are not qualifying issues.

As the hon. Gentleman will know, the dispute resolution process forms one of the major planks of the recommendations of Sir Ian Wood's review. Also, he will be aware that the MER strategy is welcomed by industry, which sees it as very important. I absolutely agree with the hon. Gentleman that the area is complex. He mentioned the issue of what a "satisfactory expected commercial return" is. He is right to say that there is some subjectivity and that it is quite difficult and will require that industry and the regulator work closely together. However, there is good will and a desire from industry to see an asset steward who can help to support the ongoing success of the North sea.

Specifically in answer to the hon. Gentleman's question about a satisfactory expected commercial return, our definition is:

"an expected post-tax return that is reasonable having regard to all the circumstances including the risk and nature of the investment (or other funding as the case may be) and the particular circumstances affecting the relevant person."

We can all see that that is a deliberately flexible definition. It recognises that many factors must be weighed before deciding whether to invest in a project. For example, the risk associated with the project; the resources thought to be recoverable; how economically recoverable the project is; the future oil price; the current oil price; the cost of capital for the company; the complexity of the project; and shareholder expectations will all play a part. It is not realistic to try even to attempt to set a clear figure on what a satisfactory expected commercial return would be. However, the definition that we have included in this version of the strategy is intended to recognise all the factors set out above. It is important to note that we face a big job in the North sea, and the OGA and industry are very keen to work closely together on it.

The hon. Gentleman also raised the question of disputes with the OGA itself and how disputes will be brought to the fore. On the one hand, the OGA has the power to initiate the dispute process. I am sure the hon. Gentleman knows that, historically, industry has not necessarily progressed or resolved its own disputes efficiently. There are some that the parties may not refer to the OGA, but where resolution would be in the interests of delivering MER UK. In those circumstances, the OGA will have the power to initiate the dispute process itself to facilitate the resolution of the dispute. Equally, the OGA will take a view on whether there has been a breach of the strategy. If the OGA were to choose to move to a sanctions situation, as we will come to in later clauses, that may be appealed by the person who is under the sanction to the first-tier tribunal. I should mention that clauses 20 to 27 do not apply to disputes between the OGA and third parties.

Dr Whitehead: I am slightly taken aback by the point that clauses 22 to 24 do not apply. That is the part of the Bill in which I failed to find any leavening process between a straightforward dispute being referred to the OGA and no differentiation being placed within the structure of the OGA as to how that dispute might be referred to the OGA when the OGA is involved in the dispute. I presume that that does not apply in terms of sanctions and levies, but in terms of other disputes. The Minister underlined my concern about how grey those areas are. A problem remains in the clauses that relate to bringing forward disputes about the point at which, let us say, a company may decide that on balance it ought to bring forward a dispute because it thinks a grey area is a different shade of grey from the OGA. I do not think that we should take that analogy too far, but an issue remains about the assurances that such companies might seek.

12 noon

While I accept that the strategy has been developed in the round, with close co-operation between companies operating in the North sea and the Department, nevertheless most of the arrangements need to be tested to destruction in the reality of the North sea. Companies might now be keen about having the OGA come forward, with the positive aspects that that provides for their activities in the North sea, but the question remains whether in practice, on a daily basis, they will have the confidence they need in the equity and veracity of the disputes process in the long term. I still do not see anything in the Bill that, if I were a company executive, would give me that full confidence. Will the Minister reflect on the clauses as they stand, particularly in relation to the beginning of the process and say whether such confidence can be guaranteed?

Andrea Leadsom: I confirm to the hon. Gentleman that clauses 20 to 27 apply only to disputes between two parties and not to those where the dispute is about or with the OGA. Those come later in the Bill.

I accept that this is a complex and new area. As we discussed on Tuesday, there will be regular reviews, the OGA will announce its annual business plan and it will be required to make statutory notices in all sorts of areas to signal its intentions. I therefore understand what the hon. Gentleman says, but I do not share his concerns.

Dr Whitehead: Can the Minister point me to where in the clauses it states that this measure does not refer to disputes between a third party and the OGA? I cannot find that, but perhaps it is there.

Andrea Leadsom: With the hon. Gentleman's indulgence, I will have to write to him on that, because it may take me some time to find the actual place in the Bill. I hope that is agreeable to him.

Dr Whitehead *indicated assent.*

Question put and agreed to.

Clause 20 accordingly ordered to stand part of the Bill.

Clauses 21 to 42 ordered to stand part of the Bill.

Clause 43

POWER OF OGA TO GIVE SANCTIONS NOTICES

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

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

Clauses 44 to 61 stand part.

Dr Whitehead: I want to pick the Minister's brains, particularly on clauses 43, 45 and 46, which relate to sanctions, enforcement and financial penalty. As the Minister has already guided us, this is the area where the OGA gets heavy with people who have not resolved their disputes properly or not done what had been decided.

This part of the Bill lays out a number of ways in which that circumstance can be approached, including through sanctions on companies—although I am unclear how exactly those would be enforced—and enforcement notices. I assume that sanctions lead to enforcement in a linear process, but the connection is not completely clear.

I want to refer briefly to the financial penalty. I presume the process has been followed of worrying about what has gone wrong, a possible resolution, a sanction notice, failure to comply with that and an enforcement notice that is also not complied with. A financial penalty notice finally arrives to underpin that process. That is my understanding of how this part of the Bill works.

Then we have the amount of that financial penalty. Clause 46 states:

"The financial penalty payable under a financial penalty notice in respect of a failure to comply with a petroleum-related requirement…must not exceed £1 million."

That appears to give a clear ceiling on the penalties. I presume the companies concerned in the exploitation of the North sea will read the clause closely and decide that is what could happen to them, were they to go through the whole process, and that is the financial penalty that might come their way. That is not a particularly high financial penalty, compared with some of the fines imposed by Ofgem, for example, relating to practices in the energy market; we have seen fines ranging from a few million to tens of millions related to the practices of energy companies.

At the end of this part, an interesting caveat is placed on the regime and the penalty limit of £1 million. The caveat is in clause 46(7), which states:

"The Secretary of State may by regulations amend subsection (1) to change the amount specified to an amount not exceeding £5 million."

That appears to put into the Bill considerable uncertainty. Is the amount £5 million? Is it £1 million? Is it that if too many companies do too many bad things over the period, the Secretary of State will decide that the penalty is not high enough and will then, by regulations, introduce an additional penalty—the general tariff maximum? Or is it that the Secretary of State has a reserve power—there is a threat—over the period to ensure that companies toe the line on sanctions and enforcement notices?

To return to what I might do were I a company involved in the North sea and I looked at this provision, I am not sure how I would react. Would I say, "That's okay, because the worst that can happen to me is a £1 million fine," or would I say, "Hang on a minute. The Secretary of State might actually levy a £5 million fine"? Presumably, by the time the Secretary of State has levied the £5 million fine—because that requires the provision to be amended by regulations—I will have finished with my £1 million fine. A company or companies might be undertaking fairly flagrant abuses in the system that are advantageous to them to an extent well in excess of £1 million, but provided that they can take on board the £1 million fine, they can presumably get on with undertaking those abuses. I think that there are extreme powers in the Bill to force disinvestment by companies that are completely in breach of conditions.

The Secretary of State's power to up the fine limit would be applied only once the horse and cart were well down the road and the stable door was wide open.

[Dr Whitehead]

The Secretary of State would then, under the processes of the House, have to work out how to undertake regulations to put the fine limit up and make the regime different. It might be wiser simply to place in the Bill an upper limit that may be varied downwards, rather than having in the Bill a limit that appears to be not the limit, which would be another limit entirely. Is the Minister amenable to looking again at the provision to see whether a better formulation could be brought about in relation to fines? Alternatively, is there a deeper explanation, which I have not understood, as to why the relationship between £1 million fines and £5 million fines is in the Bill in the way that we see it?

Philip Boswell (Coatbridge, Chryston and Bellshill) (SNP): I was going to speak on the same subject—clause 46 and the amount and nature of the financial penalty in relation to the numbers that we are dealing with in terms of daily production—but I will not labour the point, because the issue has been more than adequately covered by the hon. Member for Southampton, Test.

Andrea Leadsom: Thank you—short and sweet.

These clauses provide the OGA with powers to regulate compliance with new and existing duties imposed by the Bill, the Petroleum Act 1998 and offshore licences by imposing civil sanctions on persons who are in breach of those duties. In the Bill, the duties are referred to as petroleum-related requirements. A key recommendation of the Wood review was for the new regulator to acquire new sanctions to guard against behaviours that are known to have obstructed the objective of maximising economic recovery of UK petroleum. We have therefore worked to develop a framework of sanctions that is fit for purpose and that provides a transparent and independent means of appeal.

These clauses allow sanctions to be imposed for breaches of the duty to act in accordance with the strategy to enable the principle to be met. They allow sanctions to be imposed when holders of offshore petroleum licences are in breach of the conditions of those licences. They also allow sanctions to be imposed when relevant persons are in breach of other statutory duties imposed by part 2 of the Bill.

12.15 pm

The persons to whom sanction notices can be given are determined by the relevant petroleum-related requirement. It is important to note that the sanctions that can be applied under this chapter comprise enforcement notices, which are civil sanctions, financial penalty notices and, importantly—the hon. Member for Southampton, Test did not mention this, but it is significant in this context—the potential to remove operator licences and operators. The clause allows for a subsequent sanction notice to be given in respect of a breach if it is not remedied within a period specified in either an enforcement notice or a financial penalty notice.

Taken together, this set of sanctions is quite serious. The hon. Gentleman asks why the cap is £1 million. Very deliberately, the maximum level of the fine has been set at a relatively modest level, as he pointed out, in relation to other regulators. Some can issue fines on the basis of a percentage of the company's turnover, for example. The level of maximum fine at £1 million was set following discussion with industry and particularly feedback received during a call-for-evidence exercise in autumn 2014.

The response to the call for evidence highlighted that there is support for financial penalties in principle, but it very clearly called for maximum cap at a level to deter breaches of relevant duties but not to deter investment in the UK continental shelf more broadly. The Government listened carefully to the industry's views and we believe that £1 million is the right level to achieve this balance.

As the hon. Gentleman pointed out, we also want to ensure that there is scope for greater fines should circumstances change or the OGA's powers prove not to be sufficient in all cases. I want to make it clear that under the power in the Bill to increase the maximum penalty to £5 million, any fine could be up to £5 million. That is significant scope to increase. It is important that hon. Members note that a fine is not the only sanction. If it is not sufficient, the OGA could consider termination of operatorship or revocation of licence.

Dr Whitehead: I thank the Minister for her response. I am interested that the matter has been discussed with the industry, although I guess it might be keen to have the fines at the lower end rather than the higher end as far as final sanctions are concerned. I accept that this will need to be tried out over a period to see whether fines work in conjunction with the other sanctions, such as enforcement and removal of licence options that the Minister referred to. I accept that this may be a reasonable starting point, but I hope the Minister will keep the process under review as the OGA gets under way with its work.

I have one final thought. What consideration has the Minister given to where the fines go? I assume they will go to the Consolidated Fund. Given the principles behind the Bill and how the OGA is funded to carry out its activities—we have discussed what people reasonably expect to pay into the OGA and what they expect to get in return, and the extent to which they understand that OGA running costs are effectively capped against contributions and that there will not be additional burdens on companies—one might think that the right route for fines would be for them to be tucked back into the process of developing and enhancing what is happening in the North sea, particularly through the operation of the OGA.

I appreciate that at that point one might say, "It's the OGA that is levying the fine, and it might be the OGA that gets the benefit from it." Clearly, that might not be entirely appropriate. Nevertheless, to fine capture and storage in the North sea might be an appropriate way to monitor the destination of those fines over a period. Has the Minister given any thought to that process? Although I appreciate that that would not provide anybody with a regular income, it might at the very least be seen to be an appropriate way to proceed as far as the companies operating in the North sea are concerned, in order to enhance the wellbeing of what they and the OGA are doing in the basin.

Andrea Leadsom: Fines would go to the Consolidated Fund, and they would not be available to be used to offset anything else or do other activities. It is a different

funding stream from the levy, and the OGA will not keep the fines. The hon. Gentleman has made the point about the potential moral hazard of allowing such a regime.

Question put and agreed to.

Clause 43 accordingly ordered to stand part of the Bill.

Clauses 44 to 70 ordered to stand part of the Bill.

Clause 71

REQUIREMENTS TO PROVIDE INFORMATION

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

The Chair: With this it will be convenient to consider clause 72 stand part.

Dr Whitehead: I seek the Minister's thoughts on clause 72, "Applications to use infrastructure: changes of applicant and owner". Hon. Members will see that the clause contains a process for applications to use infrastructure. Parties who perhaps did not have a hand in building the infrastructure should make proper application to use that infrastructure where it is in the best interests of the development of the field as a whole, so it is essential that we have a process that allows that to proceed in an orderly fashion.

Clause 72 goes a little further. It envisages circumstances where someone might apply to use, in the North sea, for exploration or exploitation through a pipeline or something similar, infrastructure originally developed by someone else.

Clause 72 allows that right once, I assume, it has been agreed and all the various activities have been gone through relating to whose interest is best served and how agreement can be reached about proper joint use of that pipeline, or whatever it is. It gives a right for someone to assign that arrangement to someone else, substantially amending the Energy Act 2011. I am afraid this is one of those processes where, to see where the rabbit is going, one needs to refer to a number of different rabbit holes. Indeed, I must admit that, although I was a member of the Bill Committee for the 2011 Act, my concentration was not on assignments and assignations of applications. It was rather more on whether the green deal would work well, which was the main substance of the Bill. In passing, I might say that we all saw what happened to that.

The relevant part of the 2011 Act seems to me to provide substantial arrangements already, relating to assignments of applications. The clause inserts several new sections into the Act. Interestingly, it does so in relation to a miscellaneous section at the end of a chapter relating to other matters. It does not actually amend sections on assignments and assignations of applications in the 2011 Act. I assume it has an effect on them—clearly it must do—but it seems a little odd to amend the Act in that way, particularly given that it has sections about assignments.

Will the Minister elucidate what the clauses add to the 2011 Act, and how they will work with what is already in it, to enhance the process of third-party assignment? I can see the importance, particularly if licences and companies change hands, for the exploitation of future fields in the North sea. Indeed, as some of the larger assets have been worked out, they have been sold to second, third and fourth-tier companies, for further exploitation. There has been considerable churn in the ownership of companies operating smaller North sea fields, and undoubtedly that will be so over the next period. It is important to have a robust system of assignment and to ensure that it can be related properly to the process of agreement on applications for infrastructure use. However, I remain a little mystified about what clause 72 does in relation to the existing provisions. I would welcome any light that could be shed on that.

12.30 pm

Andrea Leadsom: I will describe the purpose of the third-party access, and then answer the hon. Gentleman's questions.

Clause 71 amends the third-party access to the upstream petroleum infrastructure regime found in the Energy Act 2011. Specifically, it amends section 87 of that Act, which relates to powers to require information, and inserts new sections 87A and 87B, which make provisions for appeals and sanctions respectively.

The clause requires that, where the OGA issues a notice under section 87 of the 2011 Act requiring information to be provided, it must specify a time for compliance with that notice. It also provides an appeal right to the first-tier tribunal against the issuance of a notice on the grounds that the information required is not relevant to the OGA's functions relating to third-party access or that the length of time given to comply with the notice is unreasonable.

The clause also allows for any requirements imposed by such a notice to be treated as petroleum-related requirements and therefore sanctionable under chapter 5. However, the OGA will not be able to revoke a licence or terminate an operatorship in relation to such breaches. The clause therefore increases the utility of the third-party access to the upstream petroleum infrastructure regime, which is an important tool in the OGA's pursuit of maximising economic recovery for the UK.

To turn to the hon. Gentleman's points, clause 72 inserts two new sections into the Energy Act 2011, which establish the third-party access to the upstream petroleum infrastructure regime. New section 89A allows for applications for access to upstream petroleum infrastructure made under section 82 of the 2011 Act to be assigned to another party. Specifically in answer to his point, section 82(13) of the 2011 Act says only that the transfer of such rights may be affected, but the clause makes that automatic. That is an important point.

New section 89B allows for a new owner of infrastructure to which an application for access has been made to be treated as a party to that application. Clause 72 therefore ensures that where the ownership of infrastructure, in respect of which a notice under section 82(11) imposing access rights has been issued, is transferred, the obligations under the notice transfer as well. Once such an assignment or transfer occurs, anything done by the original party is treated as having been done by the party to which the application was assigned or the ownership transferred.

Essentially, the provisions allow for the third-party access regime to continue rather than having to restart on a change of party, and then facilitate the transfer of

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non-commercially sensitive information already provided to the OGA, ensuring that all new parties are aware of the relevant history of the application. The key point is that the clause automatically assigns the rights and obligations attached to the infrastructure, which provides ongoing certainty of rights to applicants, but does not prevent parties from agreeing to amend the terms of the access if appropriate to do so in future.

Dr Whitehead: I thank the Minister for that explanation. Clearly, there are differences, but I hope that they can be fully incorporated into the process as it develops.

Question put and agreed to.

Clause 71 accordingly ordered to stand part of the Bill.

Clause 72 ordered to stand part of the Bill.

Clause 73

ABANDONMENT OF OFFSHORE INSTALLATIONS

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

The Chair: With this it will be convenient to discuss new clause 9—*Report to Parliament on decommissioning costs*—

'Within one year of this Act coming into force, and annually thereafter, the Secretary of State shall report to each House of Parliament on estimated decommissioning costs for North Sea oil and gas infrastructure.'.

This amendment would require the Secretary of State to make an annual report to Parliament on the estimated decommissioning costs for North Sea oil and gas infrastructure.

Dr Whitehead: In this clause, we come to the substantial and often vexed question of decommissioning. Indeed, if we take into account the related schedule, the clause contains provisions about abandonment of offshore installations and the duty to act in accordance with the maximising economic recovery strategy as far as decommissioning and its alternatives are concerned.

I emphasise that the Bill already deals with some considerations, but we contend—we may discuss this later in our proceedings—that the alternatives to decommissioning may need to be looked at rather more carefully to make sure the strategy works as well as it can overall.

Chris Heaton-Harris (Daventry) (Con): I would just like a bit of clarification from the hon. Gentleman. I assume he will be talking about the need for decommissioning and about how to incentivise it and to make sure that the funds are available under the decommissioning fund.

Dr Whitehead: Indeed. That is already in the Bill. Clearly, we need to decommission substantial parts of the precommissioned asset in the North sea. The question I hope that we will discuss in some detail is what one needs to do to achieve a proper balance, so that we get decommissioning firmly under way, because an enormous amount of asset clearly needs to be decommissioned. There should certainly be no suggestion that part of the policy is simply to abandon that infrastructure and leave it there to decay.

It is clear that activity needs to be undertaken. As I will mention in a moment, the extent of that activity needs to be understood, because decommissioning could be a substantial new industry in its own right in the North sea—it certainly already appears to be one to many people. Indeed, at conferences, exhibitions and various other things, people are looking at the opportunities the process offers for employment, for supply-chain development and for translating decommissioning expertise and practice in the North sea to other parts of the world to create added value. There is, therefore, no doubt that decommissioning is a substantial enterprise that will produce jobs, as well as opportunities in the supply chain and elsewhere, and that is underlined by the scale of decommissioning on the UK continental shelf.

Decommissioning is not just a question of the external infrastructure of the North sea; there is also the important point that we need to plug and cap the wells themselves, as the depletion process continues, and that is—certainly from an environmental point of view—the most important part of the process. We need to make sure that the abandoned, worked-out wells are properly stewarded and plugged and securely taken down and put out of use. At that point, all the other infrastructure that surrounds them can be safely and properly dismantled.

Chris Heaton-Harris: I thank the hon. Gentleman for making that point so plainly and putting it in layman's terms so that even I can understand it. I just wanted to ensure that we had established—and were not going to talk about—the principle of the need to decommission large-scale energy projects and the importance of that to the environment. As that is a given across all political parties, we can get to the meat of the Bill.

Dr Whitehead: Indeed, that is a given regarding the situation in the North sea. Of course, that relates to the fact that the North sea is a mature basin. Having a new dawn of massive exploration and the need to develop infrastructure on the back of that massive exploration is only a relatively small part of the future of the North sea. The fact that we have to deal with what has happened so far in the North sea properly, safely and with full confidence is what some people determine is at the heart of the decommissioning industry at the moment.

The scale of decommissioning before us on the UKCS is frankly enormous. Something like 4,000 wells need to be plugged, securely abandoned, and have all the infrastructure taken away. There are something like 290 fixed platforms and 33 floating installations that require particular arrangements to be removed. It is not only that the wells need to be plugged. A substantial number of subsea wellheads and structures that sit on the bottom of the sea to undertake some activities that otherwise would be on the fixed platforms need to be dealt with, and they also need a pretty specialised approach. Above that is the question of the pipelines connecting those wellheads, platforms and installations to the landing points. Something like 20,000 km of pipelines may need to be decommissioned over the next period.

The Committee has discussed the fact that the North sea will have different uses in the longer term, not only carbon capture and storage, and I have already mentioned other uses that may arise. Even if one goes down that particular route—our concern is that proper account is taken of that route when it comes to decommissioning in the North sea—there is still an enormous amount of decommissioning to undertake.

12.45 pm

The Wood review made a number of important points about what the decommissioning process might need to be couched within, bearing in mind that we are talking about not only what future uses, such as carbon capture and storage, might be in mind for the North sea in the very long term, with enhanced recovery in the shorter term, but developing marginal fields and ensuring that they have the infrastructure, which they are not likely to be able to afford in their own right, to be able to be exploited.

Part of a maximum economic recovery process in the North sea should include the infrastructure being properly in place to enable the eventual maximum overall economic development of the North sea. If those smaller fields find themselves unable to access infrastructure, because it has been decommissioned, they will simply not ever be exploited, and the net result will be that the overall exploitation of the North sea will not be determined by the maximum that can be exploited, but by the steps we have taken and in what order those facilities are decommissioned. While it is an enormous activity, it nevertheless needs to be tempered with those thoughts in mind. One of the key roles that I see the OGA undertaking is getting that balance right.

There may be concerns about the relationship between the proper underpinning that the Government are providing in terms of grants, tax offsets and various other elements—together, they will come to about 60% of likely decommissioning costs—and whether those particular grants and underpinnings may cause the decommissioning industry that appears to be developing to go into overdrive. The decommissioning industry may think, "Can we rush ahead with decommissioning and get the maximum grants available? Those grants may not always be available. We therefore want to rush on with decommissioning, particularly because there are lower prices in the North sea and particularly because those particular modes of assistance will not necessarily be available in the future." It is important that we have a clear understanding of the extent of decommissioning, of how decommissioning disadvantages other activities and of what the industry needs to be assured of in how that decommissioning process goes forward, over what period and with what effects. We will later consider an amendment that addresses a number of those issues so far as those companies are concerned.

New clause 9 was tabled to seek a clear picture for Parliament of what is happening with decommissioning costs: whether they are running ahead in the way that I described or whether they are part of a much longer and more measured process, which I hope will be the outcome with the proper oversight of the OGA and the considerations it will bring to the whole decommissioning process.

The new clause is fairly straightforward, but it is absolutely necessary, given the scope of the activity we are undertaking and the extent to which various thoughts are swirling around on what the decommissioning industry is actually likely to consist of over the next period. It would be a great help if that material was available in an annual report for all who are looking at that process. That is the heart and purpose of the amendment, which would be a thoroughly constructive addition. I trust that the Minister will immediately take it on board and decide to run with it.

Philip Boswell: We are conscious that Oil & Gas UK already publishes an annual decommissioning insight, and that that is the leading forecast for decommissioning activity in the UKCS. Oil & Gas UK has also published guidelines on decommissioning cost estimation from 2013, providing a methodology for breaking down the process of decommissioning into separate phases, to enable the development of robust and consistent decommissioning cost estimates that can be meaningfully compared across the industry.

As the decommissioning sector evolves and matures, it is important that the industry has an accurate and consistent basis on which to estimate costs. Oil & Gas UK's new decommissioning cost estimation guidelines build on the industry's latest experiences in the practice and will be used extensively in planning future projects.

We have some concerns that such frequency of report by the Secretary of State might duplicate and, depending on the methodology used, conflict with the industry work already going on in the area. It might also create additional onerous data-reporting demands on the OGA. However, reliability, transparency and effective cost-management in this respect are critical. We would also expect wide consultation across the OGA, the Department of Energy and Climate Change and the industry to be undertaken.

As such, we are minded to support the amendment.

Andrea Leadsom: I am delighted to tell the hon. Gentleman that I welcome his bringing forward this proposal, as it is an important area for debate. It gives me the opportunity to set the record straight on the economic narrative of the North sea. I am sure all hon. Members here will be aware of the issue, but it is important to put it on the record.

The Government believe in making the most of the UK's gas and oil resources. To date, the oil and gas industry has contributed more than £330 billion to the Exchequer, and it is the UK's largest industrial investor, supporting hundreds of thousands of jobs, supplying a large portion of the UK's primary energy needs and making a significant contribution to GDP. Those jobs are not just in Aberdeen, or indeed in Scotland, but right across the UK. Members have all paid tribute to the contribution made by that North sea basin over many years.

With between 11 billion and 21 billion barrels of oil equivalent still to be exploited, the UK continental shelf can continue to provide considerable economic benefits for many years to come. That is what we are here to try to sort out, with the establishment of the OGA.

As the hon. Member for Southampton, Test pointed out, decommissioning is an inherent cost of doing business in the UKCS. Capital allowances are available on decommissioning expenditure, as they are for most of the costs of doing business in the UKCS. The rate of

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allowances for decommissioning match those for oil and gas research and development, exploration and appraisal, and mineral exploration and access.

I will answer the specific point raised about whether the tax relief situation might encourage people operating in the North sea to hurry to decommission, lest they be whisked away. The tax relief rate is guaranteed by way of decommissioning relief deeds between Government and operators so there is not a likelihood that either they will disappear or that people need to take precipitate action to avoid the risk that they might disappear.

Callum McCaig (Aberdeen South) (SNP): One issue around decommissioning that is inhibiting new players from coming into the market, as I am sure the Minister is aware, is that of transferring tax history and the tax basis built up to allow it to be offset against decommissioning in future.

If new entrants do not have a significant tax history, that could be an impediment to their coming in because they would have to foot a greater part of that bill. Likewise, the company looking to offset an asset may not want to transfer it because it might come back, should that company be unwilling to do that. Would the Government be willing to look carefully at that issue to find a solution to allow the freeing up of assets?

Andrea Leadsom: That is exactly the area we are looking at. That issue has been raised, including at the maximising economic recovery meetings before Christmas.

To reiterate, as hon. Members from all parties have repeatedly stated, it is crucial now more than ever that we provide support for this industry that has contributed, and will continue to contribute, so significantly to the balance sheet of our country.

I will now speak to new clause 9, and I thank the hon. Member for Southampton, Test for tabling it. It would require the Secretary of State to report to each House of Parliament on the estimated cost of decommissioning North sea oil and gas infrastructure, one year after the Act comes into force and annually thereafter. As we have discussed, the inevitable consequence of a maturing basin means that the future cost of decommissioning activity in the North sea is expected to be substantial, and the scale of the decommissioning challenge is undeniable. That is why Government measures in the Bill are aimed at preventing premature decommissioning of critical UKCS infrastructure and ensuring that the decommissioning that does occur represents the best value for money.

Matthew Pennycook (Greenwich and Woolwich) (Lab): Under the new tax regime, we know that the bulk of the costs of decommissioning will be borne by the taxpayer; the Government's estimates put them at £7.5 billion over the total life of the North sea continental shelf, out to 2040-41. Given how important it is to make decommissioning cost-effective, may I press the Minister, if she is not minded to accept the new clause, on the circumstances under which the Secretary of State might intervene to modify or impose conditions on an abandonment programme?

Andrea Leadsom: I will come on to address most of the points the hon. Gentleman has raised. As we have discussed in Committee, the OGA will have a very clear role in decommissioning plans. If he will bear with me for a minute, I will come to that, but I want to make a further point about decommissioning.

The forthcoming increase in decommissioning activity presents a major opportunity, as the hon. Gentleman said. It could become a new industry in itself, although we do not want it to do that too quickly. There is the opportunity to increase efficiencies and reduce costs to both the industry and the taxpayer. That is really important. Given, we have one of the most mature basins, we will be doing some of the decommissioning first, so there is a big opportunity to try to reduce costs and improve efficiency.

We recognise that the reporting of these costs plays an important role in understanding and preparing for the challenge ahead. Most importantly, we recognise the need for transparency regarding the costs that could ultimately fall to the taxpayer as a result of tax relief mechanisms for decommissioning costs.

To that end, Her Majesty's Revenue and Customs provides a detailed account of expected decommissioning liability in its publicly available annual accounts. The approach by which that liability is accounted for has recently been revised to provide a longer-term estimate of the costs of decommissioning. That should provide both industry and Government with a much fuller picture of the expected future cost landscape, allowing those costs to be robustly managed, and ensuring that decommissioning is executed as efficiently as practically possible.

Colleagues, have no doubt, the Government are committed to ensuring decommissioning programmes represent the best value for money. Not only that, but the OGA is working extensively with operators across the UKCS on ensuring the development of marginal fields by ensuring that critical infrastructure is preserved. That would avoid the potential domino effect that the hon. Member for Southampton, Test raised with regard to decommissioning.

Amendments brought forward in the other place will require decommissioning programmes to be cost-effective —in answer to the hon. Gentleman's point—will ensure that OGA has the powers it needs to scrutinise companies' decommissioning plans to ensure they are cost-effective; and enable the Secretary of State to require a company to take specific action to reduce the costs of decommissioning to address cost overruns.

Robust safeguards are also in place to prevent the costs of decommissioning from falling to the taxpayer. Measures under part IV of the Petroleum Act 1998 include the ability for the Secretary of State to require owners of an offshore installation or pipeline to prepare and execute a decommissioning programme for those assets and to take financial securities from the companies to protect the taxpayer from any default.

I hope that those provisions, coupled with HMRC's existing publication of annual reports, reassure the Committee that the reduction of decommissioning costs to both industry and taxpayer is at the forefront of the Government's agenda, and I ask hon. Members to withdraw the new clause.

1 pm

Dr Whitehead: I am reassured by the Minister's indication of the extent to which one might say that matters are already in hand. In any event, whether as part of the Bill or not, I would commend to the Minister the idea of a regular and forthright account of what is happening with decommissioning costs, on the rate at which the grants and the assistance are being used, and on how that impacts on the future use of the North sea. That would be a good management tool for the process. The Minister might consider a more informal report to the House from the Department, which would be of great benefit all round. I hope that the Minister will at least consider doing it that way.

Question put and agreed to.

Clause 73 accordingly ordered to stand part of the Bill.

Schedule 2 agreed to.

Clause 74

DUTY TO ACT IN ACCORDANCE WITH STRATEGY: DECOMMISSIONING AND ALTERNATIVES

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

The Chair: With this it will be convenient to consider new clause 16—*Strategy for incentivising competitiveness of UK-registered companies in decommissioning contracts*—

'(1) By June 2017 the Secretary of State shall develop a comprehensive strategy for the Department of Energy and Climate Change to incentivise the competitiveness of UK-registered companies in bidding for supply chain contracts associated with the decommissioning of oil and gas infrastructure ("the strategy"), which shall be reviewed annually thereafter.

(2) In developing the strategy the Secretary of State must consult—

(a) HM Treasury;

(b) the Department for Business, Innovation and Skills;

(c) the Oil and Gas Authority;

(d) Scottish Ministers, and

(e) any other relevant stakeholders that the Secretary of State thinks appropriate.

(3) The strategy must include, though shall not be restricted to—

(a) an appraisal of tax incentives that can be extended to oil and gas operators to incentivise their use of UK-registered supply chain companies; and

(b) an outline of other appropriate support that can be provided by the Government, or its agencies, to UK-registered companies which express interest in bidding for decommissioning contracts.'—*(Callum McCaig.)*

This new Clause would compel the Secretary of State to bring forward a strategy for ensuring that UK-registered supply chain companies benefit from decommissioning contracts.

Callum McCaig: I will be brief, because the debate that we have just had has already highlighted a number of the decommissioning issues that arise with this clause, and in many ways my new clause 16 speaks for itself.

As the Minister said and as I think everyone in Committee agrees, we hope that decommissioning is delayed as far into the future as is possible. If not, there is the potential to miss out on significant amounts of hydrocarbons that meaningfully could be extracted. The issue here and the vast amount of what the Bill is about is maximising economic recovery and delaying decommissioning, although that does not mean that it will not become a reality. It is something we are fully aware of—the costs are clear and a large part of them will fall on the taxpayer—so it is important that the Government in conjunction with relevant bodies, including the Scottish Government, are prepared for its economic potential.

The costs will be what they are and jobs will come from that decommissioning—that is inevitable—but the long-term viability or added value that can be got from it is if we become a true world leader in the development of the new technologies, skills and expertise, so that we can export and/or project manage decommissioning in other places. That is the real prize on offer. To achieve it and to enable the work to be done, there may be a requirement for infrastructure improvements to harbours and so on, most notably up and down the North sea coast. If the UK taxpayer is to foot the bill, it would be much better were it to be cashed in the UK, rather than in other parts of the world.

Andrea Leadsom: I am grateful to the hon. Gentleman for tabling new clause 16.

The new clause would require the Secretary of State to develop a strategy for the Department of Energy and Climate Change to incentivise the competitiveness of UK-registered companies in the decommissioning supply chain market. There is no doubt that UKCS operations are served by a world-class UK supply chain. The industry supports more than 350,000 jobs in the UK and produces a £35 billion annual turnover. As we have discussed, the inevitable consequence of a maturing basin is the ramping up of decommissioning activity in the North sea in the coming years.

The intention behind the new clause—the development and support of a world-class decommissioning supply chain industry—is something that the Government wholeheartedly support. Such an industry certainly has the potential to create world-leading expertise and to support thousands of UK jobs.

The UK Government stand 100% behind our oil and gas industry and the thousands of workers and families that it supports. We have today announced a £250 million Aberdeen city deal to boost innovation and diversification in the north-east Scottish oil and gas industry. The city deal will address various proposals from the region, including a new energy innovation centre and supporting the industry to exploit remaining North sea reserves, as well as the expansion of Aberdeen harbour, enabling the city to compete for decommissioning work, and I hope that cruise liners will stop there in future. There is a lot to see in Scotland and I am sure visitors would enjoy making the most of that. The Prime Minister is visiting Aberdeen today to meet local employers and workers, as well as senior executives from the oil and gas industry, to hear about the challenges facing the area.

I was delighted yesterday to be enrolled in a new ministerial group on oil and gas, chaired by the Secretary of State for Energy and Climate Change, which has been set up to reiterate the UK Government's commitment to supporting the oil and gas industry and those who work in it. We met for the first time yesterday and agreed to produce a UK oil and gas workforce plan in

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the spring. This will focus on what steps the Government aim to take to support those who may lose their jobs in the oil and gas sector, and will set out how Government and industry can help the skilled workers, particularly in the supply chain, move into other sectors, including other energy-related infrastructure projects: the offshore wind sector and the new nuclear sector, for example. This builds on the significant work that the OGA is already doing in this area, bringing together industry, Government and trade bodies to develop and promote a strong decommissioning supply chain that can compete globally, while anchoring activities in the UK.

The OGA is working to produce a supply chain-specific strategy, which will influence the development and commercialisation of supply chain opportunities, capitalising on the inherent strengths of the sector not only to support the UKCS, but to grow exports. Decommissioning will be a part of the whole world's oil and gas story, so there is an opportunity for the UK to take a leading role in that. The OGA has been working closely with BIS, Scottish Enterprise and with UKTI in this area, as well as taking opportunities to participate in industry-wide events such as the offshore technology conference in Houston.

Furthermore, the OGA continues to support and be involved in the significant decommissioning supply chain work of industry trade bodies such as the Oil and Gas Industry Council and the Technology Leadership Board. Such forums are critical in bringing together Government, industry and the OGA. Such efforts are already bearing fruit. For example, the OGA has recently connected eight operators conducting well plugging and abandonment campaigns in the southern North sea with the UK supply chain.

Although I recognise and agree with the intention behind the new clause tabled by the hon. Member for Aberdeen South, the need for action is now, as we have discussed at length. Putting his proposal into primary legislation could force us to stop, consult and think again, and we could miss the ever-closing window of opportunity that we have to support the industry immediately. I hope the hon. Gentleman is reassured by my words and will agree to withdraw his proposed new clause.

Callum McCaig: I welcome what the Minister said. I am not tempted to be drawn on the city deal. I will go no further than to say that *The Press and Journal*, a local voice of repute, described it as underwhelming. The investment is welcome, but I shall leave it at that.

I am not convinced I agree with the Minister that putting the new clause in primary legislation would cause us to miss the boat on decommissioning. The concentration of minds and of efforts and expertise is absolutely fundamental. In many cases, there have been opportunities that, for whatever reason, we have missed the boat on. This opportunity is one that we are absolutely clear will come. The question of timing is not explicitly clear, but it will come and we need to be ready. There may be specific investments in infrastructure, from Norfolk up to Nigg in the Highlands, that can deal with the kind of port facilities that will be required, and we need a proper strategic overview to enable that to happen.

I understand we will not be dividing on this matter today, but at a later stage I wish to press it to a vote.

Question put and agreed to.

Clause 74 accordingly ordered to stand part of the Bill.

Clauses 75 and 76 ordered to stand part of the Bill.

Ordered,

Manuscript amendment made: in programme motion (b), leave out "and 2pm"—(*Julian Smith*.)

1.11 pm

The Chair adjourned the Committee without Question put (Standing Order No. 88).

Adjourned till Tuesday 2 February at twenty-five minutes past Nine o'clock.

Written evidence reported to the House

EB 10 Dr Rachel Connor

EB 11 Mo Caswell

EB 12 Christopher Walsh

EB 13 Oil & Gas UK

EB 14 Susan Crosthwaite

EB 15 Mrs V. C. K. Metcalfe further submission

EB 16 Independent Renewable Energy Generators Group (IREGG)

EB 17 Dr Robert Kee, Belfast