PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

ENERGY BILL [*LORDS*]

Sixth Sitting

Thursday 4 February 2016

(Morning)

CONTENTS

New clauses under consideration when the Committee adjourned till this day at Two o'clock.

PUBLISHED BY AUTHORITY OF THE HOUSE OF COMMONS
LONDON – THE STATIONERY OFFICE LIMITED

PBC (Bill 092) 2015 - 2016

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not later than

Monday 8 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 4 February 2016

(Morning)

[Philip Davies *in the Chair*]

Energy Bill [*Lords*]

New Clause 1

Onshore wind power: closure of renewables obligation on 31 March 2016

'(1) In Part 1 of the Electricity Act 1989 (electricity supply), after section 32LB insert—

"32LC Onshore wind generating stations: closure of renewables obligation

(1) No renewables obligation certificates are to be issued under a renewables obligation order in respect of electricity generated after 31 March 2016 by an onshore wind generating station.

(2) Subsection (1) does not apply to electricity generated in the circumstances set out in any one or more of sections 32LD to 32LL.

(3) In this section and sections 32LD to 32LL "onshore wind generating station" means a generating station that—

(a) generates electricity from wind, and

(b) is situated in England, Wales or Scotland, but not in waters in or adjacent to England, Wales or Scotland up to the seaward limits of the territorial sea.

(4) The reference in subsection (1) to a renewables obligation order is to any renewables obligation order made under section 32 (whenever made, and whether or not made by the Secretary of State).

(5) Power to make provision in a renewables obligation order or a renewables obligation closure order (and any provision contained in such an order) is subject to subsection (1) and sections 32LD to 32LL.

(6) This section is not otherwise to be taken as affecting power to make provision in a renewables obligation order or renewables obligation closure order."

(2) The Renewables Obligation Closure Order 2014 (S.I. 2014/2388) is amended as follows.

(3) In article 2(1) (interpretation), after the definition of "network operator" insert—

""onshore wind generating station" means a generating station that—

(a) generates electricity from wind, and

(b) is situated in England, Wales or Scotland, but not in waters in or adjacent to England, Wales or Scotland up to the seaward limits of the territorial sea;".

(4) In article 3 (closure of renewables obligation on 31st March 2017)—

(a) in the heading, after "solar pv stations" insert "or onshore wind generating stations";

(b) in paragraph (1), after "solar pv station" insert "or an onshore wind generating station".'"—*(Andrea Leadsom.)*

This New Clause prevents renewables obligation certificates from being issued in respect of electricity generated after 31 March 2016 by a generating station that generates electricity from wind and is located onshore in England, Wales or Scotland. There are exceptions to this in certain cases: see New Clause NC2.

Brought up, and read the First time.

11.30 am

Question put, That the clause be read a Second time.

The Committee divided: Ayes 11, Noes 6.

Division No. 7]

AYES

Cartlidge, James	Leadsom, Andrea
Dowden, Oliver	Maynard, Paul
Fernandes, Suella	Smith, Julian
Hall, Luke	Sunak, Rishi
Heaton-Harris, Chris	Warman, Matt
Hoare, Simon	

NOES

Boswell, Philip	McCaig, Callum
Lewis, Clive	Pennycook, Matthew
Lynch, Holly	Whitehead, Dr Alan

Question accordingly agreed to.

New clause 1 read a Second time, and added to the Bill.

New Clause 2

Onshore wind power: circumstances in which certificates may be issued after 31 March 2016

(1) Part 1 of the Electricity Act 1989 (electricity supply) is amended as follows.

(2) After section 32LC (inserted by section [*Onshore wind power: closure of renewables obligation on 31 March 2016*]) insert—

"32LD Onshore wind generating stations accredited, or additional capacity added, on or before 31 March 2016

The circumstances set out in this section are where the electricity is—

(a) generated by an onshore wind generating station which was accredited on or before 31 March 2016, and

(b) generated using—

(i) the original capacity of the station, or

(ii) additional capacity which in the Authority's view first formed part of the station on or before 31 March 2016.

32LE Onshore wind generating stations accredited, or additional capacity added, between 1 April 2016 and 31 March 2017: grid or radar delay condition met

The circumstances set out in this section are where the electricity is—

(a) generated using the original capacity of an onshore wind generating station—

(i) which was accredited during the period beginning with 1 April 2016 and ending with 31 March 2017, and

(ii) in respect of which the grid or radar delay condition is met, or

(b) generated using additional capacity of an onshore wind generating station, where—

(i) the station was accredited on or before 31 March 2016,

(ii) in the Authority's view, the additional capacity first formed part of the station during the period beginning with 1 April 2016 and ending with 31 March 2017, and

(iii) the grid or radar delay condition is met in respect of the additional capacity.

32LF Onshore wind generating stations accredited, or additional capacity added, on or before 31 March 2017: approved development condition met

The circumstances set out in this section are where the electricity is—

(a) generated using the original capacity of an onshore wind generating station—

(i) which was accredited on or before 31 March 2017, and

(b) generated using additional capacity of an onshore wind generating station, where—

(i) the station was accredited on or before 31 March 2016,

(iii) the approved development condition is met in respect of the additional capacity.

32LG Onshore wind generating stations accredited, or additional capacity added, between 1 April 2017 and 31 March 2018: grid or radar delay condition met

The circumstances set out in this section are where the electricity is—

(a) generated using the original capacity of an onshore wind generating station—

(i) which was accredited during the period beginning with 1 April 2017 and ending with 31 March 2018,

(ii) in respect of which the approved development condition is met, and

(b) generated using additional capacity of an onshore wind generating station, where—

(i) the station was accredited on or before 31 March 2016,

(iii) the approved development condition is met in respect of the additional capacity, and

32LH Onshore wind generating stations accredited, or additional capacity added, between 1 April 2017 and 31 December 2017: investment freezing condition met

The circumstances set out in this section are where the electricity is—

(a) generated using the original capacity of an onshore wind generating station—

(i) which was accredited during the period beginning with 1 April 2017 and ending with 31 December 2017, and

(b) generated using additional capacity of an onshore wind generating station, where—

(ii) in the Authority's view, the additional capacity first formed part of the station during the period beginning with 1 April 2017 and ending with 31 December 2017, and

32LI Onshore wind generating stations accredited, or additional capacity added, between 1 January 2018 and 31 December 2018: grid or radar delay condition met

The circumstances set out in this section are where the electricity is—

(a) generated using the original capacity of an onshore wind generating station—

(i) which was accredited during the period beginning with1 January 2018 and ending with 31 December 2018,

(ii) in respect of which both the approved development condition and the investment freezing condition are met, and

(iii) in respect of which the grid or radar delay condition is met, or

(b) generated using additional capacity of an onshore wind generating station, where—

(i) the station was accredited on or before 31 March 2016,

(ii) in the Authority's view, the additional capacity first formed part of the station during the period beginning with 1 January 2018 and ending with 31 December 2018,

(iii) both the approved development condition and the investment freezing condition are met in respect of the additional capacity, and

(iv) the grid or radar delay condition is met in respect of the additional capacity.

32LJ The approved development condition

(1) This section applies for the purposes of sections 32LF to 32LI.

(2) The approved development condition is met in respect of an onshore wind generating station if the documents specified in subsections (4), (5) and (6) were provided to the Authority with the application for accreditation of the station.

(3) The approved development condition is met in respect of additional capacity if the documents specified in subsections (4), (5) and (6) were provided to the Authority on or before the date on which the Authority made its decision that the additional capacity could form part of an onshore wind generating station.

(4) The documents specified in this subsection are—

(a) evidence that—

(i) planning permission for the station or additional capacity was granted on or before 18 June 2015, and

(ii) any conditions as to the time period within which the development to which the permission relates must be begun have not been breached,

(b) evidence that—

(i) planning permission for the station or additional capacity was refused on or before 18 June 2015, but granted after that date following an appeal or judicial review, and

(ii) any conditions as to the time period within which the development to which the permission relates must be begun have not been breached,

(c) evidence that—

(ii) the period allowed under section 78(2) of the 1990 Act or (as the case may be) section 47(2) of the 1997 Act ended on or before 18 June 2015 without any of the things mentioned in section 78(2)(a) to (b) of the 1990 Act or section 47(2)(a) to (c) of the 1997 Act being done in respect of the application,

(iii) the application was not referred to the Secretary of State, Welsh Ministers or Scottish Ministers in accordance with directions given under section 77 of the 1990 Act or section 46 of the 1997 Act,

(iv) 1990 Act permission or 1997 Act permission was granted after 18 June 2015 following an appeal, and

(d) a declaration by the operator of the station that, to the best of the operator's knowledge and belief, planning permission is not required for the station or additional capacity.

(5) The documents specified in this subsection are—

(a) a copy of an offer from a licensed network operator made on or before 18 June 2015 to carry out grid works in relation to the station or additional capacity, and evidence that the offer was accepted on or before that date (whether or not the acceptance was subject to any conditions or other terms), or

(b) a declaration by the operator of the station that, to the best of the operator's knowledge and belief, no grid works were required to be carried out by a licensed network operator in order to enable the station to be commissioned or the additional capacity to form part of the station.

(6) The documents specified in this subsection are a declaration by the operator of the station that, to the best of the operator's knowledge and belief, as at 18 June 2015 a relevant developer of the station or additional capacity (or a person

connected, within the meaning of section 1122 of the Corporation Tax Act 2010, with a relevant developer of the station or additional capacity)—

(a) was an owner or lessee of the land on which the station or additional capacity is situated,

(b) had entered into an agreement to purchase or lease the land on which the station or additional capacity is situated,

(c) had an option to purchase or to lease the land on which the station or additional capacity is situated, or

(d) was a party to an exclusivity agreement in relation to the land on which the station or additional capacity is situated.

(7) In this section—

"the 1990 Act" means the Town and Country Planning Act 1990;

"1990 Act permission" means planning permission under the 1990 Act (except outline planning permission, within the meaning of section 92 of that Act);

"the 1997 Act" means the Town and Country Planning (Scotland) Act 1997;

"1997 Act permission" means planning permission under the 1997 Act (except planning permission in principle, within the meaning of section 59 of that Act);

"exclusivity agreement", in relation to land, means an agreement by the owner or a lessee of the land not to permit any person (other than the persons identified in the agreement) to construct an onshore wind generating station on the land;

"planning permission" means—

(a) consent under section 36 of this Act,

(b) 1990 Act permission,

(c) 1997 Act permission, or

(d) development consent under the Planning Act 2008.

32LK The investment freezing condition

(1) This section applies for the purposes of sections 32LH and 32LI.

(2) The investment freezing condition is met in respect of an onshore wind generating station if the documents specified in subsection (4) were provided to the Authority with the application for accreditation of the station.

(3) The investment freezing condition is met in respect of additional capacity if the documents specified in subsection (4) were provided to the Authority on or before the date on which the Authority made its decision that the additional capacity could form part of an onshore wind generating station.

(4) The documents specified in this subsection are—

(a) a declaration by the operator of the station that, to the best of the operator's knowledge and belief, as at the Royal Assent date—

(i) the relevant developer required funding from a recognised lender before the station could be commissioned or additional capacity could form part of the station,

(ii) a recognised lender was not prepared to provide that funding until enactment of the Energy Act 2016, because of uncertainty over whether the Act would be enacted or its wording if enacted, and

(iii) the station would have been commissioned, or the additional capacity would have formed part of the station, on or before 31 March 2017 if the funding had been provided before the Royal Assent date, and

(b) a letter or other document, dated on or before the date which is 28 days after the Royal Assent date, from a recognised lender confirming (whether or not the confirmation is subject to any conditions or other terms) that the lender was not prepared to provide funding in respect of the station or additional capacity until enactment of the Energy Act 2016, because of uncertainty over whether the Act would be enacted or its wording if enacted.

(5) In this section—

"recognised lender" means a provider of debt finance which has been issued with an investment grade credit rating by a registered credit rating agency;

"the Royal Assent date" means the date on which the Energy Act 2016 is passed.

(6) For the purposes of the definition of "recognised lender" in subsection (5)—

"investment grade credit rating" means a credit rating commonly understood by registered credit rating agencies to be investment grade;

"registered credit rating agency" means a credit rating agency registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and the Council of 16 September 2009 on credit rating agencies.

32LL The grid or radar delay condition

(1) This section applies for the purposes of sections 32LE, 32LG and 32LI.

(2) The grid or radar delay condition is met in respect of an onshore wind generating station if, on or before the date on which the Authority made its decision to accredit the station, the documents specified in subsection (4), (5) or (6) were—

(a) submitted by the operator of the station, and

(b) received by the Authority.

(3) The grid or radar delay condition is met in respect of additional capacity if, on or before the date on which the Authority made its decision that the additional capacity could form part of an onshore wind generating station, the documents specified in subsection (4), (5) or (6) were—

(a) submitted by the operator of the station, and

(b) received by the Authority.

(4) The documents specified in this subsection are—

(a) evidence of an agreement with a network operator ("the relevant network operator") to carry out grid works in relation to the station or additional capacity ("the relevant grid works");

(b) a copy of a document written by, or on behalf of, the relevant network operator which estimated or set a date for completion of the relevant grid works ("the planned grid works completion date") which was no later than the primary date;

(c) a letter from the relevant network operator confirming (whether or not such confirmation is subject to any conditions or other terms) that—

(i) the relevant grid works were completed after the planned grid works completion date, and

(ii) in the relevant network operator's opinion, the failure to complete the relevant grid works on or before the planned grid works completion date was not due to any breach by a generating station developer of any agreement with the relevant network operator; and

(d) a declaration by the operator of the station that, to the best of the operator's knowledge and belief, the station would have been commissioned, or the additional capacity would have formed part of the station, on or before the primary date if the relevant grid works had been completed on or before the planned grid works completion date.

(5) The documents specified in this subsection are—

(a) evidence of an agreement between a generating station developer and a person who is not a generating station developer ("the radar works agreement") for the carrying out of radar works ("the relevant radar works");

(b) a copy of a document written by, or on behalf of, a party to the radar works agreement (other than a generating station developer) which estimated or set a date for completion of the relevant radar works ("the planned radar works completion date") which was no later than the primary date;

(c) a letter from a party to the radar works agreement (other than a generating station developer) confirming, whether or not such confirmation is subject to any conditions or other terms, that—

(i) the relevant radar works were completed after the planned radar works completion date, and

(ii) in that party's opinion, the failure to complete the relevant radar works on or before the planned radar works completion date was not due to any breach of the radar works agreement by a generating station developer; and

(d) a declaration by the operator of the station that, to the best of the operator's knowledge and belief, the station would have been commissioned, or the additional capacity would have formed part of the station, on or before the primary date if the relevant radar works had been completed on or before the planned radar works completion date.

(6) The documents specified in this subsection are—

(a) the documents specified in subsection (4)(a), (b) and (c);

(b) the documents specified in subsection (5)(a), (b) and (c); and

(c) a declaration by the operator of the station that, to the best of the operator's knowledge and belief, the station would have been commissioned, or the additional capacity would have formed part of the station, on or before the primary date if—

(i) the relevant grid works had been completed on or before the planned grid works completion date, and

(ii) the relevant radar works had been completed on or before the planned radar works completion date.

(7) In this section "the primary date" means—

(a) in a case within section 32LE(a)(i) or (b)(i) and (ii), 31 March 2016;

(b) in a case within section 32LG(a)(i) and (ii) or (b)(i) to (iii), 31 March 2017;

(c) in a case within section 32LI(a)(i) and (ii) or (b)(i) to (iii), 31 December 2017."

(3) In section 32M (interpretation of sections 32 to 32M)—

(a) in subsection (1), for "32LB" substitute "32LL";

(b) at the appropriate places insert the following definitions—

""accredited", in relation to an onshore wind generating station, means accredited by the Authority as a generating station which is capable of generating electricity from renewable sources; and "accredit" and "accreditation" are to be construed accordingly;";

""additional capacity", in relation to an onshore wind generating station, means any generating capacity which does not form part of the original capacity of the station;";

""commissioned", in relation to an onshore wind generating station, means having completed such procedures and tests in relation to the station as constitute, at the time they are undertaken, the usual industry standards and practices for commissioning that type of generating station in order to demonstrate that it is capable of commercial operation;";

""generating station developer", in relation to an onshore wind generating station or additional capacity, means—

(a) the operator of the station, or

(b) a person who arranged for the construction of the station or additional capacity;";

""grid works", in relation to an onshore wind generating station, means—

(a) the construction of a connection between the station and a transmission or distribution system for the purpose of enabling electricity to be conveyed from the station to the system, or

(b) the carrying out of modifications to a connection between the station and a transmission or distribution system for the purpose of enabling an increase in the amount of electricity that can be conveyed over that connection from the station to the system;";

""licensed network operator" means a distribution licence holder or a transmission licence holder;";

""network operator" means a distribution exemption holder, a distribution licence holder or a transmission licence holder;";

""onshore wind generating station" has the meaning given by section32LC(2);";

""original capacity", in relation to an onshore wind generating station, means the generating capacity of the station as accredited;";

""radar works" means—

(a) the construction of a radar station,

(b) the installation of radar equipment,

(c) the carrying out of modifications to a radar station or radar equipment, or

(d) the testing of a radar station or radar equipment;";

""relevant developer", in relation to an onshore wind generating station or additional capacity, means a person who—

(a) applied for planning permission for the station or additional capacity,

(b) arranged for grid works to be carried out in relation to the station or additional capacity,

(c) arranged for the construction of any part of the station or additional capacity,

(d) constructed any part of the station or additional capacity, or

(e) operates, or proposes to operate, the station;"."—*(Andrea Leadsom.)*

This New Clause provides for cases in which renewables obligation certificates may continue to be issued in respect of electricity generated after 31 March 2016 by onshore wind generating stations in England, Wales or Scotland, despite the general closure effected by New Clause NC1. The cases are those described in the new sections 32LD to 32LI of the Electricity Act 1989.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 11, Noes 6.

Division No. 8]

AYES

Cartlidge, James	Leadsom, Andrea
Dowden, Oliver	Maynard, Paul
Fernandes, Suella	Smith, Julian
Hall, Luke	Sunak, Rishi
Heaton-Harris, Chris	Warman, Matt
Hoare, Simon	

NOES

Boswell, Philip	McCaig, Callum
Lewis, Clive	Pennycook, Matthew
Lynch, Holly	Whitehead, Dr Alan

Question accordingly agreed to.

New clause 2 read a Second time.

Amendment proposed to new clause 2: (a), in new section 32LJ(4) at end insert—

"(da) evidence that either—

(i) a grant of planning permission was resolved by the relevant planning authority on or before 18 June 2015,

(ii) planning permission was granted after 18 June 2015 but not later than 18 September 2015, or

(iii) planning permission, consent or development consent was granted after 18 June 2015 under section 73 of the 1990 Act, section 42 of the 1997 Act, section 36(C) of this Act, or under the Planning Act 2008 varying a planning permission, consent or development consent granted on or before 18 June 2015,

(db) evidence that—

any condition as to the time period within which the development to which the permission relates must be begun have not been breached."—*(Dr Whitehead.)*

This amendment would include schemes within the grace period that have received planning consent from local planning authorities by the relevant date, but have not received final documentation, providing that final documentation is received by three months after this date.

Question put, That the amendment be made.

The Committee divided: Ayes 7, Noes 11.

Division No. 9]

AYES

Boswell, Philip	McCaig, Callum
Kinnock, Stephen	Pennycook, Matthew
Lewis, Clive	Whitehead, Dr Alan
Lynch, Holly	

NOES

Cartlidge, James	Leadsom, Andrea
Dowden, Oliver	Maynard, Paul
Fernandes, Suella	Smith, Julian
Hall, Luke	Sunak, Rishi
Heaton-Harris, Chris	Warman, Matt
Hoare, Simon	

Question accordingly negatived.

New clause 2 added to the Bill.

New Clause 3

USE OF NORTHERN IRELAND CERTIFICATES: ONSHORE WIND POWER

(1) The Electricity Act 1989 is amended as follows.

(2) Before section 32M insert—

"**32LM Use of Northern Ireland certificates: onshore wind power**

(1) The Secretary of State may make regulations providing that an electricity supplier may not discharge its renewables obligation (or its obligation in relation to a particular period) by the production to the Authority of a relevant Northern Ireland certificate, except in the circumstances, and to the extent, specified in the regulations.

(2) A "relevant Northern Ireland certificate" is a Northern Ireland certificate issued in respect of electricity generated—

(a) after 31 March 2016 (or any later date specified in the regulations), and

(b) by a Northern Ireland onshore wind generating station accredited after 31 March 2016 (or any later date specified in the regulations).

(3) In this section—

"NIRO Order" means any order made under Articles 52 to 55F of the Energy (Northern Ireland) Order 2003;

"Northern Ireland certificate" means a renewables obligation certificate issued by the Northern Ireland authority under the Energy (Northern Ireland) Order 2003 and pursuant to a NIRO Order;

"Northern Ireland onshore wind generating station" means a generating station that—

(a) generates electricity from wind, and

(b) is situated in Northern Ireland, but not in waters in or adjacent to Northern Ireland up to the seaward limits of the territorial sea.

(4) Power to make provision in a renewables obligation order by virtue of section 32F (and any provision contained in such an order) is subject to provision contained in regulations under this section.

(5) This section is not otherwise to be taken as affecting power to make provision in a renewables obligation order.

(6) Regulations under this section may amend a renewables obligation order.

(7) Section 32K applies in relation to regulations under this section as it applies in relation to a renewables obligation order."

(3) In section 32M (interpretation)—

(a) in subsection (1), for "32LB" substitute "32LM";

(b) in subsection (7), for "32L" substitute "32LM".—*(Andrea Leadsom.)*

This New Clause allows the Secretary of State to make regulations preventing an electricity supplier in England, Wales or Scotland from using a renewables obligation certificate issued in Northern Ireland to discharge its renewables obligation, where the certificate was issued in respect of onshore wind power generated in Northern Ireland after 31 March 2016. The regulations can specify exceptions.

Brought up, read the First and Second time, and added to the Bill.

New Clause 4

CARBON CAPTURE AND STORAGE STRATEGY FOR THE ENERGY INDUSTRY

'(1) It is the duty of the Secretary of State to—

(a) develop, promote and implement a comprehensive national strategy for carbon capture and storage (CCS) for the energy industry to deliver the emissions reductions required to meet the fifth and subsequent, carbon budgets at the scale and pace required;

(b) develop that strategy in consultation with HM Treasury, the Department for Business, Innovation and Skills, the Oil and Gas Authority, the National Infrastructure Commission Scottish Ministers, Welsh Ministers and other relevant stakeholders including the CCS industry; and

(c) have that strategy in place by June 2017 and report to Parliament on the progress of its implementation every three years thereafter.

(2) The strategy provided for by subsection (1) shall, amongst other things, include—

(a) the development of infrastructure for carbon dioxide transport and storage;

(b) a funding strategy for implementation including provision of market signals sufficient to build confidence for private investment in the CCS industry;

(c) priorities for such action in the immediate future as may be necessary to allow the orderly and timely development and deployment of CCS after 2020;

(d) promotion of cost-effective innovation in CCS; and

(e) clarification of the responsibilities of government departments with respect to the implementation of the strategy." *—(Callum McCaig.)*

This new Clause would compel the Secretary of State to bring forward a strategy for carbon capture and storage for the energy industry.

Brought up, and read the First time.

Callum McCaig (Aberdeen South) (SNP): I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss new clause 10—*Carbon capture and storage strategy for the energy industry—*

'(1) It is the duty of the Secretary of State to—

(a) develop, promote and implement a comprehensive national strategy for carbon capture and storage (CCS) for the energy industry to deliver the emissions reductions required to meet the fifth and subsequent, carbon budgets at the scale and pace required;

(b) develop that strategy in consultation with HM Treasury, the Department for Business, Innovation and Skills, the Oil and Gas Authority, the National Infrastructure Commission and other relevant stakeholders including the CCS industry; and

(c) have that strategy in place by June 2017 and report to Parliament on the progress of its implementation every three years thereafter.

(2) The strategy provided for by subsection (1) shall, amongst other things, include—

(a) the development of infrastructure for carbon dioxide transport and storage;

(b) a funding strategy for implementation including provision of market signals sufficient to build confidence for private investment in the CCS industry;

(c) priorities for such action in the immediate future as may be necessary to allow the orderly and timely development and deployment of CCS after 2020."

Callum McCaig: The future of carbon capture and storage became a lot more opaque following the Government's decision just after the autumn spending review to scrap the £1 billion of funding for the competition to deploy CCS at Peterhead and White Rose. That has caused a not unsubstantial amount of consternation within the nascent CCS industry, which thought it had a clear path to developing a viable proposal that would enable the industry to get off its feet, with support from the Government to develop something that would be to the advantage of British industry and have the potential, according to the Committee on Climate Change, to deliver the carbon reduction targets in a cost-effective manner. That decision has been made, and however regrettable it is, we are where we are.

The new clause calls on the Government to bring forward a strategy in conjunction with relevant Departments and, importantly, the devolved Administrations. I know the Scottish Government have worked closely with industry and indeed the Department of Energy and Climate Change on the phase 2 projects, including joint funding of research into the proposals on Grangemouth. That proposal was important. As for the timing, June 2017 may seem a little far away, but I think that timescale is required, given where we will be by the time the Bill becomes an Act. Considerable discussions will be required—ideally at the next carbon budget—to establish what the UK Government are going to do on carbon reduction as a whole, and in particular to allow a CCS strategy to be developed appropriately. I see no reason why we should not all wish to do that, and I urge hon. Members to support the new clause.

Dr Alan Whitehead (Southampton, Test) (Lab): I rise to speak to new clause 10. Hon. Members may observe that new clause 10 is remarkably similar to new clause 4; alternatively, one could say that new clause 4 is remarkably similar to new clause 10—it depends on one's point of view.

We hope to see a comprehensive carbon capture and storage strategy developed to put in place the various structures and arrangements necessary to enhance the CCS industry and open the possibility of development over the next 20 years. As the hon. Member for Aberdeen South mentioned, the abrupt ending of the CCS pilots in Peterhead and White Rose, with very little notice, forms a sad background. It was widely assumed that not only was it the end of those two pilots, but carbon capture and storage was dead. I would argue that that is certainly not the case. Notwithstanding the ending of those pilots, it is vital that we make solid progress toward making carbon capture and storage a central part of our energy strategies for the future, particularly up to 2050.

The Committee has discussed how the North sea might play a role in that strategy. At the storage end of carbon capture and storage, not only could the North sea provide a storage facility for some schemes in the UK, but it has the capacity to accommodate easily substantial deployment of CCS across the UK and Europe; in fact, it could be a world-class carbon repository. We have also discussed how best to ensure that decommissioning in the North sea is undertaken with due regard to what carbon capture and storage might require in the future. I observe that several sentences relating to carbon capture and storage that were inserted in the Bill in another place have not been removed by the Government in the Commons, so I imagine they will remain in the Bill as it completes its stages in both Houses of Parliament. There are therefore elements in the Bill already that suggest a requirement for greater strategy where CCS is concerned.

In addition to our commitment to the strategy, I suggest that Government Members should support it, given its appearance in that apparently flexible friend, the Conservative manifesto. My hon. Friend the Member for Norwich South said in a previous sitting that we should look very carefully at the wording of the manifesto and immediately do whatever it says about the future of wind, particularly onshore wind, and I imagine that Conservative Members are keen to do the same for other elements of their party manifesto. The manifesto stated that the Government would support carbon capture and storage by putting £1 billion into a pilot project, but that has not really been carried out yet. I imagine that Conservative Members want to make up for that

[Dr Alan Whitehead]

bump in the road—the Government's failure to deliver on that part of the manifesto—by ensuring that the manifesto's wider commitment to carbon capture and storage is fulfilled. That strongly implies that the Government need to set out a proper CCS strategy.

11.45 am

Perhaps I am dancing close to the edge of flexible principles, but the previous Government, which had a substantial Conservative majority, produced a "CCS Roadmap" in 2012, which stated:

"We want CCS to succeed."

It said:

"We have made £1 billion available to support the capital expenditure of early CCS projects… We want CCS to succeed. But it will only be part of the future energy mix if it can be cost-competitive with other low carbon technologies… That is why our CCS programme—and this Roadmap—is focused on identifying cost reductions, and then realising them.

Our aim is to enable industry to take investment decisions to build CCS equipped fossil fuel power stations in the early 2020s… As part of our commitment to achieving that aim, we will:

Create an electricity market that will enable CCS to compete with other low carbon sources;

Launch a CCS commercialisation programme…

Work closely with industry to reduce costs…

Remove barriers and obstacles to deployment…

Develop the regulatory environment…

Promote the capture and sharing of knowledge to accelerate deployment; and…

Help build a stable foundation by supporting private sector access to skills and developing the supply chain."

Although there is no accompanying document to say that it constitutes a CCS strategy, the "CCS Roadmap" document at least appears to set out a number of markers on the way to a strategy. Do the Government stand by that document on the future deployment of CCS, or is it a coalition Government document that is therefore not relevant to what the current Government do? It would be helpful to know whether the "CCS Roadmap" remains part of Government thinking on future CCS deployment.

It is clear that the "CCS Roadmap" does not constitute the sort of strategy we need to ensure that CCS is deployed in the future, and that is what the new clause is about. The Government will soon be entering into discussions on the fifth carbon budget, so we will see what their reaction to it is. They will have to pay close attention to the "CCS Roadmap" and perhaps a future carbon strategy, because the Committee on Climate Change's advice on the fifth carbon budget states:

"Carbon capture and storage…is very important in meeting the 2050 target at least cost, given its potential to reduce emissions across heavy industry, the power sector and perhaps with bioenergy, as well as opening up new decarbonisation pathways (e.g. based on hydrogen). Estimates by the Committee and by the Energy Technologies Institute…indicate that the costs of meeting the UK's 2050 target could almost double without CCS. At the global level the IPCC has estimated that its absence could increase costs by over 100%."

Again with reference to the Conservative manifesto, if the Government are keen to follow the least-cost routes to decarbonisation, they will clearly—certainly according to the advice of the Committee on Climate Change—have to think carefully about carbon capture and storage when they respond on the fifth carbon budget since CCS, among other things, represents a substantial implementation of least-cost routes to decarbonisation in the longer term.

Indeed, the shameful pulling of the two CCS pilot projects, in essence on the grounds of cost, represents a missed investment in potentially reducing costs of decarbonisation at a much later date. That is an important element of our approach to a future CCS strategy. It is important to be clear that the cancellation of the projects does not mean the end of CCS in this country. We will have to bring about large-scale CCS, probably sooner than a number of people consider is likely, to stay even remotely on course to meet our climate change targets in the longer term. That is especially true because CCS relates not only to energy production, but to energy-intensive industries and other intensive carbon emitters. In effect, we will have to start importing technology from the rest of the world instead of having the lead in the technology in this country that we might have had had the pilot schemes gone ahead.

Some people have suggested that CCS is simply a process that is not proven at scale and that needs a great deal more development work, but that is not the case. If we look around the world, a number of developments are taking place, such as the fully working CCS plant at Boundary Dam in Saskatchewan, which has been operating for several years. This year, CCS plants in Kemper county in Mississippi and the Petra Nova project elsewhere in the United States will come on stream. As for the energy-intensive sector, the Abu Dhabi CCS project in the iron and steel sector is a full-scale, working and complete project. It is likely that we will have to import technology from such projects for our own CCS progress. It is important to reflect on how we will do that in a CCS strategy and ensure that if we are to import technology, as much as possible of the rest of the supply chain and other CCS arrangements stay in the UK. In particular, the substantial developments and intellectual property gained from the White Rose and Peterhead projects must be retained in the UK for use in future CCS developments. All of that should be part of a strategy that we simply do not have at the moment.

I ask hon. Members to think carefully about what we will have to do—it will probably be unavoidable—in the next period to ensure that our energy is produced and used at the lowest carbon level. I believe that everyone on the Committee shares that aim and that CCS will be a most important part of that process. Having a strategy in place could enable us at least to recover substantially from the immense setback caused by the cancellation of the pilot projects and put us back on the road to being clear about what we need to do for the good of our energy-generating industries, our energy-intensive industries and the country as a whole.

Matthew Pennycook (Greenwich and Woolwich) (Lab): It is a pleasure to serve under your chairmanship, Mr Davies. I rise to speak in support of new clause 10, which stands in the names of my hon. Friends the Members for Southampton, Test and for Norwich South, and new clause 4.

No one doubts—at least, I hope not—that carbon capture and storage is accepted as a crucial element if we are to keep total global emissions within safe limits

and avoid irreparable harm to our planet. As the executive director of the International Energy Agency, Maria van der Hoeven, says, it is essential. Different projections give slightly different numbers, but the broad scientific consensus is that the sequestration process should account for between a sixth and a fifth of the net reduction needed by 2050 if we are to keep global warming below 2° C, let alone the 1.5° C that emerged from Paris as a result of the efforts of the high ambition coalition, in which the UK was a leading player. I give the Government due credit for their role in that.

I do not wholly endorse the view expressed by Sir David King, the former Government chief scientific adviser, who argued that

"CCS is the only hope for mankind"

but the consequences of not making sufficient progress are stark. As the Prime Minister put it in 2012 during an appearance before the Liaison Committee, if CCS is not available,

"you are in quite serious water, because you would be only relying on nuclear and renewables. If carbon capture and storage didn't come forward and you had a very tough carbon target, you would have no unabated gas at all."

Lack of sufficient progress on CCS will therefore result in either the UK failing to meet its climate change objectives or the Government's planned expansion in gas-fired generation being obsolete by 2030.

We know that the technology works. The Prime Minister no longer holds that view, I believe, given his recent remark that he did not think the technology stacks up, but witness after witness who came before the Select Committee on Energy and Climate Change during its recent hearings on CCS said that that was plain wrong. As my hon. Friend the Member for Southampton, Test outlined, 22 projects across the world show that CCS is working. Statoil's Sleipner West project, now in its 20th year, captures 1 million tonnes of CO_2 a year, and Exxon Mobil's Shute Creek gas processing plant in Wyoming started in 1986 and captures 7 million tonnes of CO_2 a year. Despite teething problems, the world's first major commercial power plant to employ CCS, the Boundary Dam project in Canada, will capture 90% of the emissions from that 110 MW coal unit. We know that the technology works. The problem is that, once those 22 projects are up to speed, they will shave only 0.1% off global emissions each year, so we need a strategy for transportation and storage in particular to bring CCS to scale quickly.

12 noon

The tragedy is that until recently the UK had been at the forefront of EU efforts to develop the technology and Government policy on CCS was particularly clear. As I said on Second Reading, as far back as 2007, the Prime Minister set out the Conservative party's approach to carbon capture and storage in a speech at Chongqing University when he said:

"I want to make this bargain with you. We will strain every sinew to create viable and affordable green coal technology."

CCS has been part of the UK's energy framework for some time, not just under the Climate Change Act 2008, but under electricity market reform, and it was central to justifying the technology-neutral approach that I believe the Government have now abandoned in their decisions on onshore wind,.

The banks and commercial funding community had clearly bought into the commercialisation programme and the £1 billion of capital funding that was allocated to it. The Government billed it as the entry point to the future application of CCS in this country and the Conservative party manifesto was absolutely clear in this regard. I do not think I have misunderstood it, unless it is another case of the Government being able to interpret the manifesto as they see fit. Under the heading "We will protect our planet for our children" it said the Government were

"committing £1 billion for carbon capture and storage."

Hon. Members may disagree and perhaps they will intervene to do so, but most reasonable people would say that that is a pretty unambiguous statement of intent, and that the industry in this case cannot be accused of being myopic or in any way ostrich-like—that is what the hon. Member for North Dorset accused the onshore wind industry of being at our last sitting—in believing that its investments were safe. That makes the Government's decision to renege on their manifesto commitment and pull £1 billion—

The Minister of State, Department of Energy and Climate Change (Andrea Leadsom): I gently point out to the hon. Gentleman that the reference to CCS in the Conservative party's manifesto was as an example, not as a manifesto commitment.

Matthew Pennycook: We will have to agree to disagree again. I am probably one of a handful of people who have read the manifesto in the name of which so much is being enacted. I think that is just another example of the Government trying to have it both ways and to interpret what I and, more importantly, industry and commercial funders took to be a clear statement of the Government's intent.

It is worth bearing in mind—the Minister touched on this—the context in which the decision was made. Funding was abruptly withdrawn at a time when a number of companies had been working tirelessly for many years to progress their projects, and just weeks before they were expected to submit their bids. Business and investors were given no notice. We heard evidence in the Select Committee that the industry got first wind of this through the *Financial Times,* when it reported expectations of the Government about that settlement. That was just a few hours before Department of Energy and Climate Change officials posted the notice on the London Stock Exchange and a week after the "reset" speech in which CCS was mentioned as a central part of the Government's energy policy. To say it was unexpected is an understatement. As a witness in the Select Committee said, it was a shabby way to treat those involved in trying to further this technology.

It is important to bear in mind that millions of pounds of public money have already been wasted, for example, in proving up the Goldeneye store for the Peterhead project through two competition processes, or in the White Rose projects. Those are public investments and public money has been put into them, but they are now at risk of abandonment and sterilisation. Like the Government's decisions on onshore wind and in a host of other areas, it reflects incredibly badly on their relationship with business and their ability to drive long-term investment in this area.

[Matthew Pennycook]

As Richard Simon-Lewis, financing director of Capture Power Ltd told the Committee, the decision had

"the effect of taking the wind out of our sails. I think the cancellation by UK Government of the competition signals to the market that there is a question mark in the UK Government's mind over CCS."

I think the only thing captured here is UK energy policy by Her Majesty's Treasury. The justification given that in a tight spending review—we all accept that it is tight—now is not the time for this simply does not stack up.

Waiting or buying in technology from other parts of the world will have an impact and costs down the line. It is important that the Government come forward with a strategy for carbon capture and storage. We do not have one in place as things stand. We have uncertainty and muddle.

Philip Boswell (Coatbridge, Chryston and Bellshill) (SNP): I should state an interest, having previously been involved in the carbon capture project at Peterhead—I moved it from Longannet to Peterhead—so I know something about the issue. I have been on record a few times exactly anticipating this reduction. Matthew Bell, the new chief executive of the Committee on Climate change, when asked what we would have to do without CCS to hit our targets replied:

"You really need to virtually completely decarbonise your transport sector and completely decarbonise your heating sectors, in order to deliver on the 2050 ambition, without being able to benefit from the CCS."

Does the hon. Gentleman agree that that is extremely unlikely?

Matthew Pennycook: I know it is extremely unlikely. As we touched on at our previous sitting when discussing onshore wind, the Secretary of State has admitted that the Government do not have the right policies in place to meet their targets on heat and transport. From what I can see, they do not even have any institutions within Government to make it happen. We have been told there is an interministerial group on carbon growth but we do not know how many times it has met or what its terms of reference are to drive forward progress in this area. The implication of that, as I will come to, is that we will see greater costs down the line if we do not get serious about CCS.

We need a strategy. The Minister has explained why she believes the Oil and Gas Authority's function should not be extended to incorporate the regulation of CCS activity. I disagree with the case she made, but I hope she does not dispute the need for more clarity in this area and for some kind of strategy. In the absence of an effective carbon price, we need to have a comprehensive strategy from the Government on CCS development and deployment. Such a strategy would be formed in consultation with a number of Departments, including the Treasury and the Department for Business, Innovation and Skills, the OGA and the CCS industry itself, as the clause makes clear.

The strategy would have to include some of the following elements, which I mention in the hope that the Minister will take them on board. It would need a strategy for maintaining those strategically important pieces of UK-critical infrastructure, such as Peterhead, that have been put at risk by the recent decision to withdraw CCS funding. It would need provisions for the development particularly of transport and storage, to incentivise what we know we need, which is large clusters of CCS, where multiple operations are linked into a single plant, because that is how to get the economies of scale. It would need a strategy to facilitate the industrial application of CCS, particularly in the iron and steel industry, cement production and petrochemicals. Those three sectors account for 45% of CO_2 emissions that need to be captured by 2050.

Above all, we need a strategy because the private sector needs some certainty about funding, so that it can build confidence, investment and support for CCS projects, importantly where the finances in such projects do not rely on carbon being reinjected to maintain reservoir pressure in producing oil and gas fields. That happens in a large majority of the CCS projects that are up and running, and is, I think, questionable in terms of its long-term impact on climate.

Why do we need to do this for funding, to touch on the point made by the hon. Member for Coatbridge, Chryston and Bellshill? If we do not get a strategy soon, not only will the UK lose direction, but it will cost us a great deal of money. As I said, significant amount of UK taxpayer money has already been wasted as a result of the abrupt decision to withdraw the £1 billion CCS funding. That is why the National Audit Office is going to look into matter, and why the companies involved are now seeking to recover the costs they have sunk into the projects. There are other greater and more significant long-term costs at stake: the costs of avoiding dangerous climate change if CCS does not come forward to scale.

Let me put on the record the assessment of the Energy Technologies Institute. According to the ETS, delays in deployment as a result of the CCS competition cancellation have

"a high chance of significantly increasing the cost of carbon abatement to the UK economy. Delay adds an estimated £1-2 billion per year throughout the 2020s to the otherwise best achievable cost for reducing carbon emissions."

While delays in CCS infrastructure are still likely to mature, the legacy effect of the Government's decision will in the decades ahead

"still result in an additional cost estimated to be around £2–3 billion per year".

From a public interest perspective we have to get this right. We need a comprehensive strategy and now is the time to do it. I urge the Minister seriously to consider the new clauses.

Holly Lynch (Halifax) (Lab): May I say what a pleasure it has been to serve under your chairmanship over the last couple of weeks, Mr Davies?

As the Opposition Whip in this Committee, I would not normally speak at any length, but I hope Members will forgive me for making an exception to speak in support of new clause 10. I do so as an MP from Yorkshire, where the decision to cancel the £1 billion CCS competition fund has been a real blow for the region, as I have no doubt it was for Peterhead and for other hopeful projects and their surrounding areas up and down the country.

Earlier in the week, we heard from the Minister, the hon. Member for Daventry and others the tenacity with which this Government are committed to delivering an end to any public subsidy for onshore wind. I heard the Minister's intervention earlier and perhaps that is the very crux of the issue. I hope that Members will not mind my quoting from a sitting earlier in the week, when that commitment to end subsidies for onshore wind was referred to an absolute "manifesto commitment"—no ifs, no buts—and I think people might be forgiven for assuming that the commitment to end the £1 billion fund may have come with the same terms.

Andrea Leadsom: Absolutely not.

Holly Lynch: I think people would be forgiven for making that assumption, having read the manifesto.

The White Rose project at Drax was set to be the first CCS project of its kind in Europe and it had been awarded Government funding to carry out a feasibility study, as has been mentioned. The project, once it was up and running, was expected to generate enough low-carbon electricity to power 630,000 households, with hopes that up to 2,000 jobs would be created, bringing much needed investment, jobs and growth to Yorkshire. If Yorkshire had been the first region in Europe to get CCS up and running on this scale, the economic benefits of exporting the expertise, the skills and the transferrable technologies all over the world could have been such a boost for the local and wider economies. With the cancellation of the £l billion fund, we also sent €300 million euros from the European Commission back to the Commission. That sum had been awarded to the White Rose project in match funding, because the project was the Commission's preferred option in its NER 300 competition.

Getting to this stage has involved years of hard work and missed opportunities. The Energy and Climate Change Committee published a report in 2014 urging the Government to reach a final investment decision on the two projects that had made it through to the final stages of the competition by early 2015, which was in line with the Government's original timetable. The report stated that it was critical that the Government did not waste any more time on unnecessarily delaying the start of the first CCS projects, stressing that we had already lost a decade. It has taken years to bring viable schemes such as the White Rose project into alignment with a Government commitment to invest in the technology and into alignment with the European Commission's NER 300 timeframe, in order to secure match funding. With the cancelling of the scheme, we are now much further away from bringing those projects online than we were in 2014.

Against that backdrop, I urge the Government to consider the future for CCS, to commit to a strategy and to recognise that new clause 10, and new clause 4 for that matter, present the opportunity to do just that. I think we all agreed earlier in the week about the importance of investor confidence and we have talked about it again today. My hon. Friend the Member for Norwich South made a great analogy about picking the furthest point on the horizon and getting our troops there as fast as we can. In CCS, it is fair to say that investor confidence could not now be any lower. The chief executive of the Carbon Capture and Storage Association, Dr Luke Warren, said the announcement to axe the fund was "devastating". He went further, saying:

> "Moving the goalposts just at the time when a four-year competition is about to conclude is an appalling way to do business."

I confess that I am still confused about what the Government strategy now is. Ministers have spoken about a future for CCS, but the Prime Minister's suggestion that there are doubts hanging over both the technology and the economics has really left potential investors with nowhere to go. That is why I ask the Committee to consider supporting new clause 10, to give Members, but most importantly the sector, a much clearer picture about what the future for CCS now means.

Andrea Leadsom: It is a pleasure to serve under your chairmanship today, Mr Davies.

New clauses 4 and 10 would place a duty on the Secretary of State to produce and implement a CCS strategy by June 2017, and to report to Parliament on progress every three years. I very much welcome the debate on CCS today. I recognise that the spending review announcement last year confirming that the £1 billion of ring-fenced capital funding to support the CCS competition was no longer available has led to questions regarding the Government's CCS policy, but I can assure the Committee that the Government's view remains that CCS has a potentially important role in the long-term decarbonisation of the UK's power and industrial sectors.

The hon. Member for Greenwich and Woolwich raised the issue of bidders' costs; I can tell him that the competition rules were clear that the Department would not meet bidders' costs and that the competition was subject to value for money considerations.

12.15 pm

Callum McCaig: Will the Minister give way?

Andrea Leadsom: Let me make some progress.

As hon. Members have said, the matter was subject to a very difficult spending review where all capital infrastructure costs were reviewed and measured against clearly set out value for money targets, and the competition did not meet those targets, but that is not to say that CCS does not play a part; it certainly does.

The Prime Minister is regularly accused of saying that CCS does not work. In fact, he said that at the moment it is not economic where it is already working, so it does not represent value for money. Hon. Members have asked whether we are effectively turning out back on CCS and not preparing ourselves, and they have asked about when we bring on new gas as part of new policy reset. I can assure hon. Members that any new gas plants for power generation will be CCS-ready, so there is no sense that, by not doing certain things now, we are closing the door for the future.

The Committee on Climate Change argued that meeting the 2050 targets would cost more without CCS, but we are absolutely not ruling out CCS. I want to make that clear.

Callum McCaig: The Minister mentioned that the competition was clear that the companies involved would not have their risks or costs mitigated by the Government.

[Callum McCaig]

The problem that the companies have, and that I and other hon. Members have, is that the competition did not conclude. The rules of the game were ripped up at the 11th hour. Does that the fact that the competition was incomplete change the Minister's interpretation of the competition's rules?

Andrea Leadsom: No, it does not.

The Government continue to invest in the development of CCS. This includes investing more than £130 million in CCS research and development since 2011. For example, in October last year we invested £1.7 million to support three innovative CCS technologies—Carbon Clean Solutions, C-Capture Ltd, and FET Engineering Ltd—and there is the potential to reduce costs. We have continued to support, jointly with the Scottish Government, the CCS developer, Summit Power, with £4.2 million in funding to undertake industrial research and development at its proposed CCS Caledonia clean energy plant in Grangemouth in Scotland.

We have invested £2.5 million in a project to investigate a suite of five stores for the storage of carbon dioxide in the North and Irish seas. We have continued to invest in the development of industrial CCS, providing £1 million to Tees Valley for a feasibility study on an industrial CCS cluster in Teesside. We remain committed to exploring with Teesside how to progress its industrial CCS proposals as set out in the area's devolution deal, published last October, and in the context of the Lord Heseltine-led taskforce on Teesside.

Through our international climate fund, we have invested £60 million in developing CCS capacity and action in priority countries, including Indonesia, South Africa, Mexico and China, and we work with CCS partners, including the United States and Canada, through the international carbon sequestration leadership forum.

Clive Lewis (Norwich South) (Lab): I do not think anyone would argue that the Government have not made financial commitments to the specific technologies. I am looking at the manifesto again—I know we are obsessing about this—but it says,

"We will protect our planet for our children",

and it mentions

"committing £1 billion for carbon capture and storage."

Most members of the public would see that as a straightforward commitment of £1 billion, and yet it has been taken away. The point is that a thread seems to be running through the Bill and the rest of the Government's actions, whether on community energy, on the subsidies and tax exemptions for solar tariffs, on ending the renewables obligation a year early, or on carbon capture and storage. They are making it more difficult and more expensive for investment to come into renewables by pulling the rug from under the feet of these nascent industries. The important thing is that the Government are making investment in this country's renewables sector less attractive and forcing up the price of low-carbon technologies.

Andrea Leadsom: Only yesterday, in a debate in Westminster Hall, the hon. Gentleman and I were discussing the very real issue of fuel poverty in this country. We were discussing the plight of people who cannot afford to heat their homes, yet today he is advocating more subsidies and more billpayer investment in technologies when I have already made it very clear that we have not gone ahead with the competition project because of the relative value for money versus other infrastructure projects. This is about protecting consumers. The hon. Gentleman cannot have it both ways.

Similarly, the hon. Gentleman talks about cutting subsidies, but although we continue to support the renewables sector, which is absolutely amazing and I pay tribute to it for its enormous success, he must see that as its costs come down so should the subsidies that are paid for by people who cannot afford to heat their homes. He must agree with that. I just cannot understand why yesterday he was arguing that we should be cutting costs and today he is arguing that we should be increasing them.

Clive Lewis: I can answer that. Ending the renewables obligation a year early has saved the average consumer 30p a year off their bill, yet we know that the Carbon Capture & Storage Association has concluded that CCS could save the average consumer £82 a year off their bill by 2030. It is a false economy. The Government are either going to be saying in a few years' time, "We're not going to meet our carbon targets," or they will have to go for a more costly way of bringing carbon down and out of our economy. That is the reality. Ultimately, this is about taking a long-term view, not a short-term one.

Andrea Leadsom: The hon. Gentleman hangs himself with those remarks. He is saying, "Don't save 30p today; save £82 by 2030." Yesterday, we were discussing fuel poverty. The Government do see a role for CCS in our long-term decarbonisation efforts, but the point is that people are unable to heat their homes today. He derides 30p off people's energy bills, but the central case is that it is £30 million saved over a one-year period or, at the most, if we had greater than expected deployment, up to £270 million. Why does he not write the cheque? If he thinks it is a trivial amount of money, I am very happy to accept his cheque and we can see whether we should continue with these things. It is simply unconscionable to try to equate something that you might achieve by 2030, according to some think-tank, with the very real issues today, including the state of our economy and a very difficult spending review, and the reality of people who simply cannot afford to heat their homes.

Clive Lewis *rose—*

Andrea Leadsom: I will give way to the hon. Gentleman one last time, but then I will continue.

Clive Lewis: Thank you, Minister; you are being very generous with your time. On fuel poverty, I will say what I think your fellow Conservative Members were saying yesterday, which is that the key thing for them was that energy efficiency has fallen through the floor. The green deal is finished and the energy company obligation has no funding beyond 2017. That leaves a big gap by 2018. On your own estimates, you are not going to achieve your own targets for warming and

insulating people's homes for another century, so I will take no lessons from the Minister or Government Members on energy efficiency and fuel poverty.

The Chair: Order. I hope that in future the hon. Gentleman will not drag me into the debate, because I am not expressing any opinions. If he wants to refer to the Minister, he should refer to her, rather than to me.

Andrea Leadsom: I think we will leave it there. We are straying well out of order in terms of our discussion of CCS. All I can say to the hon. Gentleman is that he just put a lot of words into mouths that were not said yesterday. I made it clear from the Front Bench that the Government are absolutely committed, in all our policies, to being the consumer champion and to doing everything we can to keep energy bills down. It is therefore unconscionable to try to tie this in as if somehow spending more billpayers' money on CCS would somehow save billpayers money in the short term.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): Will the Minister give way on that point?

Andrea Leadsom: No, I think we have had that discussion.

As part of our commitment to the future of CCS, we will continue to engage widely, including with Lord Oxburgh's CCS advisory group, which met for the first time yesterday. I have also met the all-party parliamentary group on CCS, whose meeting I attended and spoke at last month, and the joint Government-industry CCS development forum, which I co-chair and which met at the end of last year. We are engaging widely with the CCS industry on what more can be done, supporting individual pilot schemes and measures to try to bring costs down, and ensuring that what we are building to maintain our energy security will be CCS-ready.

We need to take this opportunity to get the next steps right. We will then set out our thinking for the way forward for CCS, using the expert advice from industry, Lord Oxburgh's group and the APPG. I hope that I have reassured hon. Members that the new clauses are unnecessary as the Government are already considering how they can support the further development of CCS.

Callum McCaig: The Minister has spoken a lot. Splitting hairs on what is a commitment and what is not is perhaps interesting for folks watching elsewhere given the voracity of the defence of a Tory party manifesto commitment to end new subsidies for onshore wind that could, in fairness, be read in a multitude of ways. When is a commitment not a commitment? When they do not want to do it. It was clear in the manifesto that it should happen. That it has not is regrettable. I am interested that the Minister believes that will be no comeback from any of the companies involved in the bidding process. That may essentially be welcome for the sake of the taxpayer, but it is by no means assured and underlines the Government's atrocious handling of the competition. I want them to make amends and to provide a clear strategy for the CCS industry.

Philip Boswell: Does my hon. Friend agree that there is something striking about the Government's contradiction? The Minister spoke about fuel poverty, which we all agree must be addressed, but, almost in the same breath, she supports a £92.50 strike price for EDF for a French Government power station. Where was the due diligence when they are now considering a £37 billion debt? With renegotiation probably on its way, the price will only go up over 35 years. It never goes down. At the same time, they have cancelled the RO for electricity when some of the prices for renewable wind are actually much cheaper. The Minister cannot have it both ways. Instead, there is a blind focus on the rash dash for gas and nuclear, and we are walking away from solar, from CCS, from onshore wind and from the green investment bank. Does my hon. Friend agree that there is a contradiction?

Callum McCaig: Perhaps unsurprisingly, I agree with my hon. Friend's assessment. The inherent contradictions and the differing values that are placed on certain technologies, depending on the voracity of opposition from certain Tory Back Benchers, mean that the criteria are perhaps not applied anything remotely near fairly. That lack of clarity, vision and planning is why the Government need to put strategies in place. That is what the new clause and new clause 10, tabled by Labour Members, seek to do. They are remarkably similar because we have engaged in similar manners with the industry, which is crying out for clarity from the Government.

12.30 pm

The only significant difference between the new clauses—it could be seen to be splitting hairs—is the requirement in new clause 4 for genuine consultation with both Scottish and Welsh Ministers in the development of the strategy, which would add to the process. Most of the strategy would ostensibly be required, in terms of reserved areas of legislation, the skills that could be supported and the industrial strategies into which it would feed, particularly in Scotland, where there has been proper engagement from Scottish Ministers, which I would like to see carry on.

Andrea Leadsom: I assure the hon. Gentleman that Lord Oxburgh's group on CCS will be advising the Government. We have recommended that the hon. Member for Coatbridge, Chryston and Bellshill be invited to join that group, because we agree that it will be important for Scottish Members to take part, give their thoughts and views and have an input into that.

Callum McCaig: I thank the Minister for that. That would be sensible; my hon. Friend has considerable expertise in this area and would make a significant contribution to that group.

We need to be careful in this House to recognise the difference between Scottish National party Members of this Parliament and of the Scottish Government. It is clear that we have different roles. While we are of the same party, I cannot speak on behalf of the Scottish Government or commit the Scottish Government to things, in the same way that Labour Members cannot commit the Welsh Government to things. Recognition of the different roles and responsibilities of the different Parliaments, Governments and Executives is required, in order for the strategy to happen. New clause 4 would achieve that in a marginally better way than new clause 10, and I hope it will win hon. Members' support.

Dr Whitehead: Frankly, the Minister's response to these measures was really poor. She did not speak in a really poor way—as always, she spoke eloquently and comprehensively—but the material she had to deal with in her response was, as anyone can judge, extremely poor in its own right. Giving a few small grants to particular projects, having a working party—useful though it is—and, as the Minister mentioned, an aim for new gas-fired plants, if they are built, to be CCS-ready is not enough. I could easily make my house burglar-ready by leaving the doors and windows open when I go out; that would not necessarily mean I had a great a strategy concerning crime.

The substance of what the Minister had to say about what the Government are doing on CCS only underlined the need for a comprehensive strategy and emphasised Opposition Members' criticisms that have arisen from about how confused and disoriented industry and the whole sector are at the moment about an appropriate way forward on CCS.

In short, the Minister had no answer to the question of whether there should be a CCS strategy in future. I was sorry that she did not even answer my question about whether she continued to endorse the nearest thing we have to a CCS strategy: the CCS road map of 2012. I hope she will rectify that omission today. Does she endorse that road map? Does she think the Government should continue to operate on the basis of that road map?

Andrea Leadsom: I assure the hon. Gentleman that my Department is looking carefully at our next steps for CCS, and although the specific strategy that he refers to may no longer be the approach that we take, a further strategy for CCS will come from my Department in due course.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 8, Noes 11.

Division No. 10]

AYES

Boswell, Philip	McCaig, Callum
Kinnock, Stephen	Pennycook, Matthew
Lewis, Clive	Reynolds, Jonathan
Lynch, Holly	Whitehead, Dr Alan

NOES

Cartlidge, James	Leadsom, Andrea
Dowden, Oliver	Maynard, Paul
Fernandes, Suella	Smith, Julian
Hall, Luke	Sunak, Rishi
Heaton-Harris, Chris	Warman, Matt
Hoare, Simon	

Question accordingly negatived.

New Clause 5

CONTRACT FOR DIFFERENCE

"After section 13(3) of the Energy Act 2013 insert—

"(3A) An allocation round must be held at least once in each year in which the carbon intensity of electricity generation in the United Kingdom exceeds 100 grams per kilowatt hour."".—*(Callum McCaig.)*

This new Clause would compel the Secretary of State to hold a Contract for Difference allocation round at least once in each year that the carbon intensity of electricity generation in the UK exceeds 100g per kilowatt hour.

Brought up, and read the First time.

Callum McCaig: I beg to move, That the clause be read a Second time.

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

New clause 6—*Contract for Difference: devolution*—

"In Section D1 of Part 2 of Schedule 5 of the Scotland Act 1998, in the exceptions, insert—

"Exception 2: The subject-matter of Chapter 1 of Part 2 of the Energy Act 2013.""

This new Clause would devolve control of Contract for Difference in Scotland to the Scottish Parliament.

New clause 12—*Contracts for Difference*—

"After section 13(3) of the Energy Act 2013 insert—

"(3A) An allocation round must be held no less than annually in each year in which the UK is not on target to meet the 2020 EU renewable energy target.""

Callum McCaig: I thought that we were having another vote, so I was not quite ready. You have taken me by surprise, Mr Davies, but I shall soldier on valiantly.

Many of our discussions during the last few days of this Committee have been about subsidies for onshore wind and how they can best be dealt with. I am not sure that we have dealt with them in the best manner possible, but there we are. The Minister has said today, in debate between her and the hon. Member for Norwich South, that as the costs come down, so should the subsidies. The renewables obligation was not perfect in its operation. That is probably widely accepted and why it was replaced with a much better form of subsidy or price control or stabilisation mechanism—whatever one wishes to call it. I am referring to contracts for difference. That model has provided a competitive option whereby energy producers' projects come forward and suggest a price that they can provide their electricity at. That has brought a greater sense of competition and a greater bearing down on costs. It is an important part of the development of the industries to enable us to meet our carbon commitments and, I would argue, to deal with our security of supply issues in a cost-effective manner.

New clause 5 suggests that there should be a CfD allocation every year in which the carbon intensity of electricity generation in the United Kingdom exceeds 100 grams per kWh. That figure comes from the policy recommendations from the Committee on Climate Change in "The Fifth Carbon Budget: The next step towards a low-carbon economy". One of its recommendations was that the Government should develop policy approaches consistent with reducing the carbon intensity of the power sector to below 100 grams of CO_2 per kWh in 2030. That compares with 450 grams in 2014 and the projection for between 200 grams and 250 grams by 2020. That last point indicates that significant and welcome progress is being made on reducing the carbon intensity of the power sector in terms of electricity generation, but it suggests that there is still a long way to go.

Why is it important that we hold auctions annually, in terms of the CfDs? I think it comes back to what has been another key theme of this debate, the need for investor certainty and investor confidence. I believe that this would provide that. While there is a requirement to decarbonise the electricity sector, there must be a clear path for us to do so and a clear indication given to businesses that scale up their investment, if they put forward the proposals that are required—the research and development, the site appraisal work and all that is needed to bring forward whatever it is, whether it is a solar farm, a wind farm, offshore wind or other technologies, including tidal, perhaps, which is further from the market but I hope will play a considerable part in electricity generation, certainly by 2030, given the potential that we have to do it.

That potential is important. The certainty that this new clause would provide would enable the significant investment that needs to come from the sector following the Paris agreement and in terms of meeting our own climate change commitments. By providing the certainty that there will be a market, that there will be potential for their projects to be deployed, provided they are cost-competitive, that will, in itself, drive down costs. So it is good for the Government, in terms of meeting their climate change commitments, but it will also ultimately be good for the consumer.

New clause 6 suggests the devolution of the contract for difference mechanism to Scottish Ministers. The operation of the renewables obligation had been dealt with by Scottish Ministers previously and in discussions I have had with many in the industry in Scotland they were very pleased with how the Scottish Government approached the renewables sector. There was the kind of clarity I have just discussed. We need to recognise that there are differing means and differing desires in the different nations of the United Kingdom about how we are to meet our electricity needs and our carbon-reduction targets. This Government legitimately wish to pursue nuclear, which is not something I advocate, largely on a cost basis. That is their right. I do not oppose the principle of their pursuing that, should they wish. I have issues around costs, which will be borne by GB consumers as a whole, but it needs to be recognised that if parts of the UK wish to pursue one form of energy policy, it is legitimate that other parts should be able to pursue a distinct process.

James Cartlidge (South Suffolk) (Con): It is a national grid, is it not? I am not stating the obvious, but Scotland, for example, cannot cut itself off from the electricity generated by nuclear power in other parts of the country. So we still need a UK-wide policy on the fundamental supply. They may take a different view on onshore wind, but on the fundamentals it is a UK grid.

Callum McCaig: It is a GB grid—I do not mean to be pedantic and split hairs. At this moment, yes, I agree with that. What I am asking for is the replication of what happened previously with the renewables obligation. There was a process by which differing processes were put in to manage that form of support for renewables, and I think that could be replicated in the round. I think National Grid is comfortable with different forms of electricity generation in different parts of the country.

We have heard that National Grid views the concept of traditional base-load to be somewhat outdated: it is about balancing and managing the reserves, providing it knows what there is to be developed in different parts. It would require considerable engagement, should this happen, between both Governments and between each and National Grid in order to work out how it would be developed. I see the Minister champing at the bit to come in.

12.45 pm

Andrea Leadsom: On a point of clarification, is the hon. Gentleman suggesting that National Grid could somehow prevent electricity generated from a nuclear power station from going to Scotland?

Callum McCaig: Absolutely not, no. I am talking about how Governments in the different jurisdictions are allowed, in collaboration with each other and National Grid, to pursue different energy policies. It would be unwise to suggest that power generated in any parts of these islands should not sensibly be allowed to flow in any way dependent on need. Through the Irish interconnector there is collaboration with the Republic of Ireland and likewise with the French and Dutch interconnectors. The move is towards greater interdependence, but that still allows a degree of autonomy in how the individual parts pursue their policies.

It will come as no surprise that I would like to see Scotland have greater control over large aspects of our lives. That is my party's position.

Chris Heaton-Harris (Daventry) (Con): I did not mean to interrupt the hon. Gentleman right in the middle of that point, but earlier he mentioned that his main argument was about cost and in the three contract for difference competitions that will be open, the strike price will be far higher than the cost of nuclear. I believe that the price for offshore wind is about £145 at the moment.

Callum McCaig: The price of offshore wind is coming down and I think the Government have suggested that, if further offshore wind contracts for difference are to come forward, it needs to do so significantly. The curve is downwards and the point of the contracts for difference mechanism and the competitive process is to allow for active discussions and bidding to drive down costs, but I am not clear that that there has been such an open, transparent process in the strike price at Hinkley.

Philip Boswell: Does my hon. Friend agree that that some of the offshore wind strike prices have been as low as £80, which is considerably below £92.50? Does he believe that the implementation of transmission charges differentiated geographically in Great Britain has rendered Longannet uneconomical and its closure effectively some four years early could turn Scotland from being a net exporter of energy to a net importer? That would be to Scotland's disadvantage, so we should have more local input.

Callum McCaig: I think my hon. Friend was referring to the strike price for onshore rather than offshore wind. On transmission charging, that does not help how

[Callum McCaig]

we in Scotland would wish to form our energy supply. We have limited control over that and the cost of producing a gas-powered plant in Scotland, as opposed to within the M25, is prohibitively expensive. I do not think that the process is working, because I do not see a whole new fleet of gas plants being built in close proximity to London and if we do operate a GB grid, that should be done on a level playing field.

James Cartlidge: I do not want to labour the point, but I would like to clarify why I asked that question and why I think the Minister is supportive. When we were discussing amendment 14 or 15, whereby the SNP wanted the power to operate the renewables obligation in Scotland, I asked the hon. Gentleman if his party would be prepared to pay for that and he said that it would not. However, on the nuclear price he said that that must be paid for and that balances it. The SNP seem to assume that Scotland can cut itself off from the nuclear-generated electricity coming into the GB grid, to which presumably Scotland wants access. With respect, it seems that the SNP wants to have its cake and eat it.

Callum McCaig: I have been trying to get on to funding for some minutes but I keep being intervened on. I would like to see developed at a much greater level better connections between not only Scotland and England, which are coming on in terms of the grid, but the British Isles and the continent. The way forward has to be much greater interconnection throughout Europe. That argument has been put forward by the Secretary of State, which is welcome, but it should not be seen as interconnection for the sake of getting energy from elsewhere.

We, as a nation, have issues in terms of the balance of trade, and relying more than we do now on imports of energy would be detrimental. If we can unlock the huge potential we have, particularly of renewables and particularly in Scotland, there is the potential to be a net exporter, though not at all times; the new clause would play a part in that. That should be the ambition, in my view. If we are going to have a European grid, we should not limit our ambitions to being an importer.

We need to respect the differing modes and choices of the people of these islands, if we are a family of nations that respects our divergent views. If England chooses to produce nuclear, that is fine. Whatever the relationship between the two countries, I see a point where there will be a need for nuclear from England, but likewise, there is a need for energy from Scotland at times. That is the level of co-operation.

Jonathan Reynolds: I think I am right in saying that the SNP's position is that even in an independent Scotland, there would be a common GB energy market; it would effectively be the same as it is now. What I cannot quite follow—I am not against his new clause; I am just trying to follow the logic of it—is why this measure would be in Scotland's interest. If Scotland is exporting electricity to the rest of the UK, or certainly to England, why have two different support regimes for the subsidy to be paid by the Scottish Government? Surely, if it is one common energy grid, it should have one set of support behind it.

Callum McCaig: I am not suggesting there should be different funding—I am still trying to get on to the issue of financing but am being deterred from doing so. I envisage the pots being one. Let us take the two issues together. If we had an annual CfD allocation, there would need to be discussions. I imagine those discussions being conducted similarly to those we debated yesterday, in terms of the fiscal agreement from the Scotland Bill. Agreements would be made about what proportion of the pots could and should go to Scotland and/or anywhere else. That would give the Scottish Government the ability to tweak that support and tailor it to our specific needs and aspirations.

The UK rightly lauds the success of the deployment of offshore wind. That is a good thing, but because of the technology and the different costs, it is easier to do that in the shallower waters off the shores of England than in the deeper water off the shores of Scotland. The wind resource, I am reliably informed, is greater, but the initial costs and the curve of diminishing returns requires a higher level of support initially.

Should there be a desire in Scotland for greater support for offshore wind in deeper waters—the global potential of that is enormous, given that most coastal waters are deeper than the ones we have here—that would be a benefit for not only Scotland but the UK, in terms of developing a supply chain for it. That can be looked at in different ways. A one-size-fits-all approach to renewables might work in the short term, in terms of deployment, and it has worked well, but we need a more nuanced approach and a long-term vision of the opportunities. New technologies—offshore wind in deep water is one, but there is also tidal and wave energy—are there to be exploited, should the support mechanisms be right.

Jonathan Reynolds: I want to be sure I understand. Is the hon. Gentleman saying there would effectively be different rates for contracts for difference in Scotland and the rest of the UK? There would be different rates for different technologies, depending on which side of the UK they were on.

Callum McCaig: I am saying that there would be a different bidding process, so that we could allocate the contracts differently. The bids may all come in the same. We cannot predict the outcome of a competitive auction before we have held it, but we must allow such nuancing of the competitive auction.

In summary, while we are pushing toward the targets set out in the Climate Change Act 2008 and waiting to see what comes from the fifth carbon budget, we need to provide certainty to industry that will enable it to plan for the future. That is what new clause 5 would deliver. New clause 6 would deliver the ability, through collaboration between both Governments, to unlock what is still a considerably untapped enormous resource in Scotland in the renewables sector. That would be beneficial to Scotland and to the United Kingdom as a whole.

Ordered, That the debate be now adjourned.—*(Julian Smith.)*

12.56 pm

Adjourned till this day at Two o'clock.