PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

ENERGY BILL [*LORDS*]

Seventh Sitting

Thursday 4 February 2016

(Afternoon)

CONTENTS

New clauses considered.
Bill, as amended, to be reported.
Written evidence reported to the House.

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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

(Afternoon)

[Mr Adrian Bailey *in the Chair*]

Energy Bill [*Lords*]

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 for the First time, and Question proposed (this day), That the clause be read a Second time.

2 pm

Question again proposed.

The Chair: I remind the Committee that 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.'"

Chris Heaton-Harris (Daventry) (Con): I want to make a short comment on new clause 5. *[Interruption.]* There is so much barracking, Mr Bailey. It is unbelievable.

The Chair: You could have changed your mind.

Chris Heaton-Harris: That is what my wife says.

I believe that new clause 5 is incompatible with the Government's stated objective of affordable decarbonisation. I want to take the opportunity to ask the Minister how the Government are progressing towards their goal of having a truly competitive single pot for each of the contract for difference auctions, and how the Government will try to encourage investment in new, consistent and dispatchable renewable energy.

Dr Alan Whitehead (Southampton, Test) (Lab): As we heard this morning, new clause 12 approaches similar aims, though in a slightly different way, from the clauses put forward by the hon. Member for Aberdeen South this morning. It concerns the allocation rounds for contracts for difference and the extent to which they should be held on an annual basis.

I appreciate that the Government have indicated in principle that there will be further allocation rounds, although we are still waiting to see what might be in them. For example, would onshore wind be included in allocation rounds in future? In the context of the levy control framework, which I am pleased to see is now being investigated by the National Audit Office, we are not sure whether there will be any substance in those allocation rounds. We are not sure whether there are any allowances in the pot that can be put into the allocation rounds in order to make them realistic for operators to bid into them.

We also understand that the process for bidding in allocation rounds means, as we heard this morning, that what comes out as the auction strike price will not be the same as the allocated strike price originally announced for various different categories of renewables. While that suggests that there should be an annual allocation round in each year where the UK is not on target to meet the 2020 EU renewable energy target, what those allocation rounds actually cost would be a variable factor. The suggestions that went around a little while ago on the possible emergence of subsidy-free CfDs could mean that the allocation rounds could be held with little or no effect on the levy control framework. Can the Minister say whether subsidy-free CfDs are a current question in her Department? If there are future allocation rounds, might they be a part of the allocations? If no clear answer is forthcoming this afternoon, perhaps it would be easiest for her to consult her departmental adviser who, I know, had a substantial hand in advancing the idea of subsidy-free CfDs before he became an adviser. I am sure his expertise on this issue could be put to good use on CfDs.

The issue with holding allocation rounds annually is not necessarily or even reasonably disposed of by the idea that this is simply about keeping control of how much money goes out under the levy control framework, because there are ways to hold an annual contract round without overthrowing those arrangements. The new clause would ensure that the issue of frequency of allocation rounds was about what it should be about—the extent to which CfDs drive the deployment of renewables towards the goal of achieving our renewable energy targets. That has been publicly stated as one of the goals behind the working of the levy control framework. We have not heard about this yet, but there is also the possible allocation of further targets after 2020, so the proposal could continue to drive forward the deployment of renewables and ensure that those targets were reached.

We have also discussed what we mean by reaching the 2020 EU renewable energy targets. We have emphasised that that means the discharge of the obligatory target agreed by the UK for the provision of 15% of energy from renewable sources by 2020. In turn, that means that the sub-targets that were set in the UK but nevertheless contribute towards the overall EU target should themselves be either on target or be underpinned by other areas being on or above target. The letter from the Secretary of State to other Departments in October set out precisely what that means and I trust that on this occasion the Minister has a copy easily to hand, which would be a

good step forward. It states that the trajectory towards reaching those EU targets "increases substantially" after 2017-18 and

"currently leads to a shortfall against the target in 2020 of around 50 TWh (with a range of 32 - 67TWh) or 3.5%-points (with a range of 2.1 - 4.5% points) in our internal central forecasts (which are not public)."

So the Secretary of State emphasises that the trajectory and the shortfall are not public but goes on to say:

"Publically we are clear that the UK continues to make progress to meet the target."

I trust that the Minister, now having a copy of that letter, will agree that that is an accurate depiction; the Secretary of State was clear that we are on target not to be on target as far as EU 2020 goals are concerned. Although the fact that we are on target not to be on target has not been made public, nevertheless, that very clear conclusion stems from departmental trajectories and is robust in terms of what the departmental modelling represents.

I take that internal observation as the starting point for this amendment and I hope that the Minister will confirm it to be the case. Secondly, I hope she will be able to change the status of those internal central forecasts, on which this is based, from not being public to being public. That would be very helpful to our discussions in the longer term. The idea that the UK is not on target, overall, to meet the EU 2020 renewable energy targets—and, as the letter makes clear, it is largely not on target because of factors relating to quite substantial failures in heat and transport—suggests, among other things, that in order to make sure that the Government are on target, other areas perhaps need to over-perform, and among those would be those projects which would be in line for contracts for difference through the allocation auctions.

Of course, I remind the Committee that that is not about onshore wind or renewable obligations, it is about a variety of renewables that may qualify for those contracts for difference—biomass, offshore wind, other forms of renewable energy which, together, could make a contribution to getting to the target by overachieving in that area. So it is a mechanism, essentially, to ensure that we are straining every sinew to get to that EU target and using the devices that we already have available to us to get there through a competitive process that ensures best value for money in the process. I therefore commend this amendment to the Committee and trust that the Minister will take it on board.

The Minister of State, Department of Energy and Climate Change (Andrea Leadsom): New clauses 5 and 12 seek to amend the Energy Act 2013 so as to require contracts for difference, or CfDs, allocation rounds to be held at least once a year. This would be either when the carbon intensity of electricity generation in the UK exceeds 100 grams per kilowatt hour or when the UK is not on target to meet the 2020 EU renewable energy target. I completely acknowledge that it is important that developers and investors have some foresight as to the frequency of CfD allocation rounds. However, this must be balanced with levy control framework budget availability, which, as hon. Members know, is funded by a levy on consumer bills.

I will answer a couple of specific questions. My hon. Friend the Member for Daventry asked how CfDs will include less developed technologies. As the Secretary of State said last November, the current intention is to hold the next CfD allocation round for "less established" technologies, which are defined as pot 2, in late 2016. We are currently working with the Treasury to finalise the budget as part of discussions on the next levy control framework period. We will set out details on that as soon as we can.

The hon. Member for Southampton, Test put the question of whether the levy control framework would be updated post-2020. I can assure him that that is something we are looking at now. He also asked about our work on market-stabilising CfDs, effectively subsidy-free CfDs for onshore wind. That is something that we are continuing to look at and would be delighted if industry or hon. Members want to provide input to that discussion, as it is something we are very interested in.

2.15 pm

Callum McCaig (Aberdeen South) (SNP): I welcome that statement from the Minister but I want to ask about the process. What kind of information is she looking for, from whom and when?

Andrea Leadsom: Through normal channels. Discussions on the early closure of the onshore wind subsidy included lots of bilateral stakeholder meetings. Some industry workshops were held. If the hon. Gentleman wanted to submit information to me or my Department, we would be delighted to hear from him, his party or companies he is aware of that are interested. We are very interested to hear views on that, though we obviously want to make progress with it at the same time.

Coming back to the LCF, its function is to limit the amount paid by consumers. It is crucial that the Government are able to take account of the latest evidence and use the LCF budget in light of latest evidence around deployment projections and costs. The hon. Member for Aberdeen South talked a lot about the difference in cost of different types of CfDs. He will be aware that we are talking with the Scottish Government about the remote highlands and islands and the potential for onshore wind projects there, which by nature of their remoteness would have big transmission costs that might make them more akin to offshore than onshore wind.

The hon. Member for Coatbridge, Chryston and Bellshill mentioned that onshore wind CfDs are around £80 and for offshore wind, as hon. Members pointed out, they are still well in excess of £100, some at £145 and so on. Our hope and expectation is that those costs will come down. That is a key reason why my right hon. Friend the Secretary of State set out in her policy reset speech that we would look to the offshore wind industry to bring their costs down in order to participate in further auctions, which we think is achievable.

Hon. Members have reflected that, when looking at the budget for the levy control framework, which is how consumers pay for all of this, and the CfD pots that add costs to the LCF, we must look at the latest evidence and technologies and have a proper balance.

To answer the hon. Member for Southampton, Test, the UK is continuing to make progress towards the 2020 renewables target of 15% of final energy consumption from renewable sources. Renewables accounted for 7%

[Andrea Leadsom]

of energy consumption in 2014, up from 1.3% in 2005. We have exceeded both our 2011-12 and our 2013-14 interim targets.

Dr Whitehead: I am sorry to have to tell the Minister, but that was exactly what the Secretary of State's letter stated would be said in public on targets. Although I appreciate what the Minister is saying, it does not add anything to the core of the letter that, while Ministers may say something in public, something else is the correct position in private.

Andrea Leadsom: I have to disagree with the hon. Gentleman. The Secretary of State has set out that we are making progress. As Ministers do, she was talking about what needs to be done next. Since then, we have had the spending review, where the renewable heat incentive scheme budget was confirmed to March 2021, rising each year to a total of £1.15 billion.

That is in excess of where we are today and goes a good way towards meeting some of our heat targets, which were referred to in the letter as needing those decisions. Life is not static and for the Secretary of State to write to colleagues saying what needs to be done is not tantamount to saying that we have no plans or efforts in place to meet this. I am sure that the hon. Gentleman would acknowledge that.

We are also making progress in decarbonising the power sector. Investors want to know that we have clear, credible and affordable plans for the sector. That is what the Secretary of State set out in her speech in November, highlighting the important role that gas generation, nuclear power, offshore wind and innovation can all play. For example, as we have discussed, we have a world-leading offshore wind industry, with the UK making up about half of all deployed offshore wind in the world. This is an area where the UK can help to make a lasting technological contribution to supply chains, and certainly to the UK supply chain, supporting a growing installation, development and blade manufacturing industry in the UK.

By committing to annual CfD allocation rounds, the new clause would inhibit the Government's flexibility to apply appropriate mechanisms to achieve renewable and decarbonisation targets. The Government should retain their ability to respond to evidence on technology cost reductions, costs to consumers and of course opportunities in other sectors such as heat and transport. The hon. Gentleman's proposals would unnecessarily tie the Government into a course of action that may neither benefit the consumer nor provide any certainty to renewable energy generators or investors. We are committed to our energy and carbon targets and continue to make strong progress towards meeting them. For that reason, I cannot accept the amendments but I hope that I have addressed his concern and that he will be content to withdraw them.

New clause 6 seeks to devolve the matter that, when exercising electricity market reform functions under the Energy Act 2013, including in respect of contracts for difference, the Secretary of State should consider matters specifically in respect of Scotland. It also seeks to devolve annual reporting on how the Secretary of State has carried out the functions under part 2 of the Energy Act 2013 during each year. EMR, including CfDs, is GB-wide. That is, electricity market reform, including contracts for difference, is Great Britain-wide—I am sorry, I am trying not to use acronyms—and does not operate in a regionally specific way. That is linked to the fact that we have a GB-wide, integrated energy system on which the CfD scheme relies. The costs of the CfDs are spread across all consumers in Great Britain, which results in a fair distribution of the burden. That means that when exercising EMR functions under part 2 of the Energy Act 2013, it is appropriate that the Secretary of State has regard to the matters in section 5(2) of the Act on a Great Britain-wide basis. Having a GB-wide system ensures that support is directed as efficiently and cost-effectively as possible, which helps keep down the cost ultimately borne by bill payers.

Under current energy policies, Scotland has more than proportionally benefited from financial support from all GB bill payers. Around 9% of the UK population is in Scotland but around 30% of UK renewable electricity generation capacity is in Scotland. Of the 25 successfully signed contracts for difference, 12 have been awarded to projects in Scotland. That includes the 448 MW offshore wind farm in the outer firth of Forth and 11 onshore wind farms with a combined capacity of more than half a gigawatt. Transferring the power to Scottish Ministers to award contracts would go well beyond the Smith commission agreement. It was not the intention and nor is it appropriate.

I do not think it is necessary to devolve the publication of the annual report to Scotland. Every year, we publish an update that reflects the scheme's GB-wide nature and sets out the progress the Government have made over the past year in implementing electricity market reform and how the Secretary of State has carried out functions under part 2 of the Energy Act 2013. Furthermore, the Secretary of State is already required to send the published report to Scottish Ministers, so I urge the hon. Gentleman to withdraw his amendment.

Callum McCaig: I have nothing to add to what I have said already.

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

The Committee divided: Ayes 8, Noes 11.

Division No. 11]

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 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.""—*(Callum McCaig.)*

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

Brought up, and read the First time.

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

The Committee divided: Ayes 2, Noes 11.

Division No. 12]

AYES

Boswell, Philip	McCaig, Callum

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 11

DECARBONISATION TARGET RANGE

'(1) Section 1 of the Energy Act 2013 is amended as follows.

(2) Leave out subsection (2) and insert—

"(2) The Secretary of State shall by order ("a decarbonisation order") set a decarbonisation target range, which shall be reviewed annually thereafter.""—*(Dr Whitehead.)*

Brought up, and read the First time.

Dr Whitehead: I beg to move, That the clause be read a Second time.

The new clause relates to the undertakings that were provided in part 1 of the Energy Act 2013 about setting a target for decarbonisation of the energy sector by 2030. Part 1 of the Act makes it clear that the Secretary of State has a duty to ensure that the carbon intensity of electricity generation in the United Kingdom is no greater than the maximum permitted level of the decarbonisation target range. That is a clear undertaking in the Energy Act to set a decarbonisation target range, requiring the Secretary of State to take related actions.

2.30 pm

At the time, it was made clear that that measure was in line with the Climate Change Act 2008, to ensure that the contribution of energy to decarbonisation was sufficient and would not drag down other sectors, and would add to the basket of decarbonisation measures required for the UK to meet its way station targets and the final 2050 target. That is a very important part of the Energy Act.

That target was put in place at that time and becomes important with the emergence again of our flexible friend, the Conservative manifesto. It has been said in another place that the commitment in the Conservative manifesto to no new and distorting targets covers everything. I anticipate that the Minister has a reference to that manifesto in front of her ready to go. I say to her kindly that that target is already there and has been since the Energy Act 2013.

The only issue outstanding then was not whether there should be a target but what the target range should be. Clearly, no new target is simply an exemplification of that target range. Under the legislation, it is up to Ministers, via secondary legislation, to clear up that small matter of the target range. One may say that is not a particularly small matter, since it is within the gift of Ministers to decide whether the target for decarbonisation is strong or not.

During the discussions that took place during the progress of that legislation it was clear that Members across the Committee envisaged that the target should be strong and in line with carbon reductions making a proper contribution. I say that because I have another letter, which I fear the Minister will not have. It is a letter from a fellow Minister in her Department sent on 18 September 2015 relating to this Energy Bill. About decarbonisation range targets, the letter says:

"As you will know, under the previous administration"—

which was, of course, a Conservative Administration, with a few others—

"a power was taken within the Energy Act 2013 which gives the Secretary of State the ability to set a 'decarbonisation target range' for the electricity sector, for a year 'not before' 2030. This allows a target to be set on the same date or after setting the Fifth Carbon Budget which must be set before end of June 2016 (measured in emissions intensity in grams of CO2 per kWh)…it is the intention of this Government not to exercise this power. This position is consistent with our manifesto pledge not to support additional distorting and expensive power sector targets."

That is where the flexible friend comes in.

That letter from a Government Minister in the other place appears to say that, whatever the Energy Act 2013 says, the Government will not do anything about it. They are not going to set a decarbonisation target range at all and, for not doing that last bit of business relating to the 2013 Act, they are going to use the excuse that, as in the manifesto, it is somehow swept up by new and distorting targets for the future, which patently it is not.

We now have a position where, in order to ensure that the provisions of the 2013 Act are properly carried out and that the decarbonisation target range becomes clear to all, and is hopefully adhered to thereafter, the response to the onerous task of setting that decarbonisation target range is to do nothing at all—let us not forget that the decarbonisation target range could be whatever the Government decide it should be, so it could be a gentle target or a stronger target. That is not good enough. It is clearly incumbent on the Government to take action on the decarbonisation target range through secondary legislation, and this amendment would marginally change the wording of section 1 to give stronger guidance to do that, rather than what might be argued as slightly weaker guidance that a Minister in the other place clearly thinks is sufficient for him to jump clear of the obligation.

The new clause would provide that the Secretary of State should set a decarbonisation target and discharge section 1 of the 2013 Act. I trust that the Secretary of State, sorry the Minister—I have promoted her—understands the importance of that section and will

take this modest amendment in the spirit in which it is intended, to ensure that the Act is carried out, and will act accordingly.

Andrea Leadsom: I do have the letter. On reading it, a power is taken, but we take all sorts of powers in case we need them. Is it not simply the case that, because we are doing well against our own targets, we do not necessarily always want to legislate? I find it completely counterintuitive to say that, just because we have a power, we should therefore legislate to use it. That is just not the case. My noble Friend Lord Bourne made it clear to the shadow Energy and Climate Change Minister in the other place, Lady Worthington, that, in line with our Conservative manifesto, which I am pleased the hon. Member for Southampton, Test quoted accurately:

"We…will not support additional distorting and expensive power sector targets."

Lord Bourne made it clear in his letter that that is precisely why we will not implement the power, even though we have it. In summary, just because we have a power does not mean that we need to use it. We will only use it if we need to use it, or if there are good reasons to do so.

New clauses 11 and 7—new clause 7 has now been withdrawn—have the same underlying purpose. Both new clauses would require the Secretary of State to set a decarbonisation target range for the electricity generating sector. New clause 11 would also require the target range to be reviewed annually, and amendments with very similar effects were debated and defeated during the last Parliament and during the passage of this Bill in the other place. Lord Bourne clearly set out the Government's position on this matter, as the hon. Member for Southampton, Test has just explained.

We are committed to ensuring that the UK continues to do its part to address climate change, in line with the Climate Change Act 2008 and our international and EU obligations. I think all hon. Members recognise that we have played a leading role in the Paris climate change negotiations and done everything we can. The UK on its own cannot change the future for climate change, but acting internationally we can. We are determined to do our bit as cost effectively as possible to make sure that our own energy is secure and affordable, as well as low carbon. Locking ourselves into additional expensive and inflexible targets relating to the power sector is not the way to do that.

There are too many things that we cannot predict about how the energy system will develop up to and beyond 2030, and the costs of getting it wrong would be picked up by consumers for decades to come. Yesterday we were discussing fuel poverty and how we must do more to keep costs down for consumers, and now Opposition Members are urging us to sign consumers up to a distorting and expensive power sector target. It simply does not make sense, and our manifesto was clear that we will not do that.

Instead, investors want to know that we have got clear, credible and affordable plans—that is what my right hon. Friend the Secretary of State set out in her speech in November—including the role that gas generation, nuclear power, offshore wind and innovation can play in decarbonising the power sector. The Government are now setting out the next stages in their long-term commitment to move to a low-carbon economy, providing a basis for electricity investment into the next decade.

The huge investment that we have seen so far is evidence that our approach is working. Between 2010 and 2014 our policies have secured an estimated £42 billion of investment in low-carbon electricity, including £40 billion in renewables, and we have more in the pipeline for the future.

Dr Whitehead: I take the point that the Minister made. On occasion Governments allow themselves secondary legislation opportunities, which are then placed in a cupboard and never seen again. I deplore the tendency in Bills to provide possible powers that are never acted on because the Government subsequently feel that it is not a good idea to do so. However, the provision in the Energy Act 2013 is not a small power that was put in the back of a cupboard. Part 1, section 1 is the part around which the rest of the Act hangs. Other parts of the Act that refer to other targets make complete sense in the end only if the decarbonisation range is properly put in place by the Secretary of State. It is not at the front of the Act by accident, but because, in order to make sense of the Act overall, it is clearly incumbent on the Secretary of State to set that decarbonisation range at some stage.

If we are doing so well and we want to stand by our Paris commitments, why on earth would we not set a range? What is there to lose? I am more worried about what the Minister says than I am that the Government are unwilling to come forward with a range, because it suggests that—in the light of all these other matters—perhaps there is the beginning of a conscious view that targets will not only not be met, but consciously veered away from in future.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): Not only is there nothing to lose, but much to gain. Taking risk out of the investment picture for investors coming into our energy system will be a huge benefit. It comes down to the theme that we have returned to again and again in this sitting, which is that there is a lot of ambiguity about the Government's position on these issues and a lot of investors telling all Members of Parliament that they simply do not trust the political will behind this.

Dr Whitehead: My hon. Friend makes an important point about how we settle the trajectory that we are on. It is a question not just of what tomorrow's cost might be, but of the long-term cost and stability of our decarbonisation programme, and indeed the extent to which setting such targets and giving such certainty moves towards, rather than away from, what the Government have said about trying to meet targets in a low-cost way. Therefore, I am disappointed by the Minister's response to this new clause, particularly as she appeared to give reasons in her own comments why the target decarbonisation range should now be set, but then concluded that it should not. For that reason, we would like to divide the Committee on this new clause.

2.45 pm

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

The Committee divided: Ayes 8, Noes 11.

Division No. 13]

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 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.'"—*(Dr Whitehead.)*

Brought up, and read the First time.

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

The Committee divided: Ayes 8, Noes 11.

Division No. 14]

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 13

CAPACITY MECHANISM

"After Section 42 (3) of the Energy Act 2013, insert—

'(4) Fossil fuelled generating plant granted 15 year capacity contracts under the capacity mechanism established by this section shall be subject to—

(a) a carbon price;

(b) a requirement to fit the best available technologies to mitigate air pollution, and

(c) the emissions performance standard as established by section 57(2) of this Act.'"—*(Dr Whitehead.)*

Brought up, and read the First time.

Dr Whitehead: I beg to move, That the clause be read a Second time.

The new clause adds to the Energy Act 2013 requirements relating to fossil fuel generating plant that is granted a 15-year capacity contract. The plant must adhere to certain conditions if the contract is to be granted—the three conditions are listed in the new clause. Regarding the final condition—the emissions performance standard—hon. Members will be interested to know that section 57 of the Energy Act 2013 contains a target, or, to be exact, a formula that under subsequent secondary legislation led to a performance standard of 450 grams per kWh being established.

To what does that section refer? It clearly does not refer to gas, because new plant for gas comes in at 378 grams per kWh and is below the emissions performance standard. What it refers to is diesel coming in to the provision of electricity, particularly in the context of what has occurred in the previous two capacity auctions, whereby diesel reciprocating engines, historically installed in industrial plants for standby generation, for example, are connected to the network to provide a regular system of electricity generation.

Those diesel engines escape the provisions of the Energy Act, because individually they are below the size at which plants are caught, but in terms of their individual emissions they are the most dirty of the various electricity generation devices. I mentioned that the combined cycle gas turbine plants being considered for commissioning come in at up to about 378 grams per kWh. Coal, which the Government are consulting on taking off the system entirely by 2015, comes in with existing plant above the energy performance standard at 930 grams per kWh. The carbon intensity of diesel generation sets is more than 1,000 grams of CO_2 per kWh, so they are probably the dirtiest generating systems possible. However, in the last two capacity auctions, virtually the only type of plant to have obtained a 15-year capacity payment to develop is diesel; virtually every other plant that put in for such a payment failed to clear the auction. Because diesel is exempt from present EPS levels because of the individual size of the reciprocating sets, it has cumulatively obtained a substantial proportion of long-term capacity payments coming into the system.

Perhaps we should dwell for a moment on the supposed purpose of the capacity auction system, which is to bring new generating plant on to the system. The interesting thing about the first two auctions is that they signally failed to bring on to the system any new generating plant that looks likely to be built. From the earlier capacity auction, one plant, Trafford, looks like it will probably not be built, and in the most recent auction there were no plants at all except, mainly, for those small diesel generation sets. The net policy outcome of capacity auctions over the last two periods is that no new plant has come forward. Yet diesel generating sets have run in under the wire and have got a considerable amount of cumulative capacity, which I will come to in a moment, despite being the dirtiest form of generation. That is a completely perverse outcome compared with what one might have thought would be the case with both capacity auctions and the Government's policy of taking coal off the system in the longer term.

Of course, one reason that diesel sets have been able to get into capacity auctions is that they have succeeded in coming under the clearing price for the capacity auction. When the clock auction comes down to the point at which the right amount of capacity has been

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procured, everybody under that point gets that payment, and diesel sets have been able to get under the clearing price whereas other plants have not. It is not because diesel sets are particularly cheap to run; it is, at least in part, because they already receive a substantial underwriting from HM Treasury through enterprise investment scheme payments for the establishment of those plants. Originally, it appears, the payments were set to encourage the plants to be established for standby purposes, but they have been used for other purposes in the capacity auction.

Although that route has been changed in the autumn statement, the most polluting generating plants have managed to get two lots of subsidies for generating and have got in through the capacity auction process as well. That is not only bad climate policy but bad public policy in general, and it is certainly a perverse outcome of the capacity auction process. I am sure the Minister agrees, if not publicly then certainly in private, as she is a sensible person. She might even agree publicly; it would be really helpful if she did.

Andrea Leadsom: I absolutely agree with the hon. Gentleman and I can tell him that the loophole has been closed. An HMRC amendment to the Finance Bill has excluded reserve generating activities from eligibility for tax reliefs under venture capital schemes from 30 November 2015, and it has subsequently been announced that all electricity generating activities will be excluded from eligibility from 6 April 2016. We are now considering whether any consequential changes to the capacity market are needed to ensure that this position is reflected adequately. I am grateful to the hon. Gentleman for that point.

Dr Whitehead: Indeed, the Minister confirmed what I said: that the EIS loophole was closed in the autumn statement. I am interested to hear, and I previously understood, that the Department was actively considering ways in which the capacity auction could be amended. I am not surprised that the Department is doing that, because so far the capacity auction has completely failed to fulfil its purpose, which was to bring forward new plant. The Department will have to think rather carefully about how it amends the capacity auction process.

It does not seem to me that the EIS loophole has been closed and that that in itself removes diesel sets from future capacity auctions. Although one would hope that the Government, when they look carefully at capacity auctions, will ensure that that happens, it is by no means certain. I remind the Committee that we are not talking about a small amount of generation that has already come on to the system. In the first auction, 375 MW of diesel set generation were given 15-year contracts; in the second auction, 650 MW of diesel sets were given room in the auction. In case we have any difficulty in scaling that, I point out that the one gas-fired power station that is presently under construction and that might produce energy in the near future will come in at an overall capacity of 880 MW. In fact, we have more than one new gas-fired power station's worth of diesel sets in the capacity auction. That is a substantial amount indeed, even though the diesel sets themselves are fairly small.

3 pm

It is imperative that we close the loophole properly, and that is what the new clause would do. If the Government are thinking about how they can amend the capacity auction, they should regard the new clause as very helpful, because it would sort that out straight away and get us on a very good footing for future capacity auctions. That would allow us to concentrate on whether we can get any new gas-fired power stations. I assume that that is one of the things that the Minister will be particularly keen to achieve in future auctions.

Andrea Leadsom: New clause 13 would introduce additional capacity market eligibility criteria for new-build capacity accessing 15-year capacity agreements based on a carbon price, a requirement to fit the best available technologies to mitigate air pollutants, and the emissions performance standard. As the hon. Gentleman says, the new clause targets his concerns on the potential growth of diesel engines participating in the capacity market. Although I do not accept the new clause, I am not unaware of or unsympathetic to his concerns.

I will explain the steps being taken on the issue, but first I point out that we are in this situation in large part because of the long history of inadequate emission controls, which we inherited. Also, there has been a lack of investment in future energy sources over a very long period—that is a matter of record. I assure Members that small-scale diesel and gas generators can offer big security of supply benefits, as they can help to meet peak demand quickly by producing electricity when it is most needed. I know that the hon. Gentleman, who is expert in these matters, knows that that is the case.

As it stands, diesel engines represented just 1.5% of the capacity procured in the capacity market auction that concluded last December. Like other forms of capacity, they will be paid a clearing price of £18 per kW. The capacity market will oblige participants to run in response to stress events, when the electricity system is otherwise tight. Those events are likely to be infrequent and may not occur at all in some years. The generators are there to switch on very quickly at times when we urgently need to meet shortfalls, because of issues such as the intermittency of renewables, unexpected downtime on traditional power plants and so on.

The emissions impact from diesel engines is often assumed to be larger than it is in reality. In fact, they have a relatively small impact on overall CO_2 emissions because of the short hours that they run. They are typically used as peaking plant, running for less than 100 hours a year, whereas larger fossil fuel plants will run for 2,000 hours or more. In addition, per unit of generated electricity, diesel emits around 30% less CO_2 than coal. Because they start up more quickly than bigger generators, diesel can emit less CO_2 than larger gas plants when used for these short periods. The controls proposed on CO_2 are not appropriate and are not likely to be effective.

Dr Whitehead: I take the Minister's point that diesel sets can be used for very rapid start-up under peaking conditions, but does she agree that they are by no means the only device that can do that? There are other opportunities for quick start-up under peaking conditions, including, under certain circumstances, wind. Wind can

start up and ramp very quickly. Historically, diesel sets have been used not for peaking purposes but for reserve purposes, should every other system go down; that has been the main use. It is their introduction into the main generation system as a peaking device under the recent capacity auction arrangements that is new, and it is that use we should be disturbed about.

Andrea Leadsom: I do not disagree with the hon. Gentleman. Wind can ramp up very quickly and it will often be the first choice, but it cannot always be controlled—the wind does not always blow. Unfortunately, diesel generators still have their place. The concern about diesel engines is more relevant in the context of local emissions, particularly oxides of nitrogen, or NOx. I am fully aware of that and I emphasise that we are actively looking into that issue. Diesel engines typically run for under 100 hours a year, so we need to start by improving our evidence base on exactly what their local emission impact is.

I want to set out the steps that are being taken. First, DEFRA will begin transposition of the medium combustion plant directive into legislation this year. The directive sets limits on the levels of nitrogen dioxide that small, sub-50 MW generators can emit, because they fall below the minimum threshold for existing controls. DEFRA will provide more details when it consults later this year and is already building its evidence base to fully understand the risks from diesel engines so that it can take action accordingly.

Secondly, Ofgem is aware that many people are concerned that there may be a level of embedded benefit for these generators and is looking into whether action is needed. In particular, the transmission charging regime has been brought to my attention, as it can account for a significant share of revenues for small generators and so would be partly responsible for encouraging their growth.

Thirdly, we are looking at whether any further direct steps could be taken if there is evidence that future capacity market participants are at risk of subsequently contributing to breaches of local air quality limits. However, as I am sure the hon. Gentleman realises, any measure would need to have state aid clearance, which requires that the capacity market does not discriminate against types of technology. We need to ensure that we do not do anything that creates security of supply risks by depriving the electricity system of a fast, flexible form of capacity before there are reliable and viable alternatives.

For those reasons, I cannot accept the new clause. We need to ensure that we are taking the right action in the right places, where there is clear evidence that it is needed, and without placing our energy security at risk. I hope he is reassured by my explanation and will be content to withdraw the new clause.

Dr Whitehead: Because it is a Thursday afternoon and because the Minister gave me a little bit of reassurance, I will speak briefly. I still think we need to get to grips with this soon rather than later, but if the Minister undertakes the actions she has set out with some alacrity, so that they are done well in advance of the next capacity auction, we may make some progress. In those circumstances, I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 14

ELECTRICITY STORAGE

'(1) Section 4 of the electricity Act 1989 is amended as follows.

(2) After subsection (1)(c) insert—

"(d) stores electricity for the purpose of giving a supply to any premises or enabling a supply to be so given,"

(3) At end of subsection (4) insert—

""Store" means the conversion of electricity into a form of energy which can be stored, the storing of the energy which has been so converted and the reconversion of the stored energy into electrical energy in devices with an individual capacity of more than 50MW."

(4) Section 6 of the electricity Act 1989 is amended as follows.

(5) After subsection (1)(d) insert—

"(e) a licence authorising a person to store electricity for the purpose of giving a supply to any premises or enabling a supply to be so given ('a storage licence');"

(6) After subsection (2) insert—

"(2ZA) In addition to holding a storage licence, the same person may be a holder of—

(a) a distribution licence,

(b) a transmission licence, or

(c) a generation licence.

(2ZB) The Secretary of State may by order determine the circumstances under which a person may hold a storage licence in addition to a distribution licence, a transmission licence or a generation licence under subsection (2ZA).""—*(Dr Whitehead.)*

Brought up, and read the First time.

Dr Whitehead: I beg to move, That the clause be read a Second time.

Observant hon. Members will note that this is not only the last new clause to be considered this afternoon but the most helpful clause that we have yet seen in this Committee. I trust that hon. Members, being in the general mood they are in this afternoon, will see the new clause for exactly what it is and ensure that no Division is required by passing it with acclamation. That would be an appropriate way to round up our business.

I will not take an enormous amount of the Committee's time. The new clause relates to something in which all Committee members should be very interested: the extent to which electricity supply can first, be given most value, and secondly, smoothed out in terms of when it does and does not arise, by the emerging technologies of battery storage. Indeed, a number of the issues we have discussed in the Committee—intermittency of wind, base-load problems and a whole range of other issues—can begin to be addressed by battery storage of electricity.

For example, if a battery storage system is attached to a solar array, the life of that solar array can be extended far beyond the period during the day when the sun shines. Clearly, the power that comes from it can go right through the night. We are already seeing that effect, to a minor extent, with solar arrays on streetlights, but on a much larger scale it could revolutionise the way in which solar is used in future.

Battery storage can also be used in relation to wind. We have heard that wind, quite self-evidently, does not always blow, and sometimes when it does blow, it blows rather a lot. Ensuring that the capturing of that variability is smoothed out into a regular supply through the

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attachment of battery storage to the wind turbine is clearly a positive step forward as far as wind supply is concerned.

Larger battery storage in distribution network operators can capture what would otherwise be downtime in terms of conventional energy production, inasmuch as that production does not necessarily then have to follow dispatch requirements, but can follow the requirements of filling up a battery associated with that distribution network system. When that power is needed in the system, it can then be released in a way that resists electricity storage arrangements that historically consist of cutting open a mountain, putting a large pond at the top and the bottom of it, pumping up water from the pond at the bottom and storing it in the pond at the top, and then letting it come down again at some considerable electricity value when it is needed. That process is undertaken already, but no new traditional forms of storage have been built for something like 30 years. The most well-known is Dinorwig in north Wales, which provides reasonably regular additional power at a cheap price uphill and a more expensive price downhill, and helps to balance the system.

3.15 pm

Providing battery storage at scale in operating systems would clearly be a much more efficient way of doing that and a much more straightforward way of balancing the process. The good news is that battery storage is proceeding by leaps and bounds. The technology is now such that it is efficient to provide battery storage. I am sure that the Minister is concerned about the cost to the public purse or otherwise of battery storage roll-out, but with the right arrangements battery storage could be rolled out at no cost to the public. I will come to the necessary arrangements in a moment. Given the efficiency of battery storage and the ability to build substantial sets of it, which allows large amounts of electricity be stored, it is now feasible for the first time, and I think we are on the cusp of introducing it into the system.

The problem is that the system, as it stands, is not friendly to the introduction of battery storage for two reasons. First, under the BSUoS—Balancing Services Use of System—energy transit arrangements, operators that have large-scale battery storage arrangements will get charged twice, because they will be regarded as a generator when the electricity is going out of the battery, and as a supplier when the energy is going into the battery. Under the present transit arrangements, two charges are applicable to batteries. That is unlike any other form of electricity arrangement.

Secondly, under the Electricity Act 1989, which set up the licensing arrangements, licences were deliberately provided in a way that would prevent vertical integration of the system, although that has not quite worked out in practice. The licensing arrangements were separated out so that licences for generation, transition and supply could not be held at the same time. The 1989 Act is clear that that separation is rigid only up to a de minimis point. Anybody who puts in place battery storage on any scale will fall outside the licensing arrangements. Indeed, the only transition network experiments in large-scale battery storage have all been under the de minimis level. The 6 kW arrangement in Kenilworth is, I believe, the only one of any size, and it is relatively small due to the constraint on licences to DNOs for larger installations.

The new clause seeks to resolve one of those two problems. The other requires more detailed arrangements relating to how BSUoS works. It seeks to amend the Electricity Act 1989 to maintain the separation of generation, transition and supply licences, but make it possible to have a distinct storage licence that could apply to other forms of licence arrangements. It is a simple, straightforward amendment, which requires the Secretary of State to organise licensing arrangements so that that can be brought about. The content of the licence is entirely up to the Department; it simply separates out those licences.

I honestly cannot see any good reason why everyone with any concern at all for the future of the electricity system should not jump on the new clause and say, "What a good idea this is; it should be done immediately." I know that the Government have announced that they are considering methods by which electricity storage might be advanced, but I suggest that the new clause is absolutely basic to even starting to consider it, because this is a fundamental impediment to battery storage getting going on any decent level, as far as our present landscape of generation, transmission and supply is concerned.

Therefore, I do not think that the new clause cuts across the Government's planned consideration in more detail of how battery storage can be advanced. If it is not adopted, considerable time could be lost before another occasion arises on which a future Bill could be amended in such a way. That would be a substantial break in progress, regardless of what the Government may be thinking in terms of the details of discussions.

I therefore suggest that whether or not it completely fits the bill for achieving the purpose that I have described—I personally believe that it does; it has been consulted on considerably with numerous bodies that ought to know what they are doing as far as such licences are concerned—and even if it is not accepted exactly in the form that it has been tabled, the Minister should say, "We'll have a look at it, come back on Report and put in something that does fit the bill." I would be happy with that. Indeed, if that were the conclusion of our business in this Committee, I would consider that we had had rather a good time after all in these proceedings. I offer that to the Minister to consider, and I hope that she will be able to do so a positive light.

Philip Boswell (Coatbridge, Chryston and Bellshill) (SNP): I will keep my remarks brief. The issue of storage is underdeveloped in terms of a solution, GB-wide and from a European energy design perspective. We should invest in research and development, and the SNP welcomes any clause that would encourage such investment.

New clause 14 will hopefully open up many more storage projects, traditional and unconventional, as has been well pointed out by the hon. Member for Southampton, Test. Adequate storage is a solution to the intermittent nature of several types of energy, including solar and wind, as he also said. He also touched on battery power, so I will skip that and move on to a few other examples, such as compressed air energy storage and pump storage, which is particularly poignant in Scotland, given that

we have Cruachan and Coire Glas sitting ready to go, should everything be suitable, as well as the usual hydroelectric solutions.

The only thing about battery power is the need for more research and development, as the hon. Member for Southampton, Test pointed out. It is often described as a megawatt solution to a gigawatt problem, in terms of energy generation in the UK. Something like the new clause is needed to open up and encourage further investment.

In compressed air storage, air is compressed and stored when cheap energy is available, such as on a windy night, and then released at peak times when required. The difference between that and current facilities for battery power is scale. The nuances of local solutions and local control touched on by my hon. Friend the Member for Aberdeen South during the debate on new clause 6 are relevant. Suitable salt basins are available onshore in England, where a pilot scheme could be run for about £45 million, whereas in Scotland we would need much more investment for an offshore solution. We are minded to support the clause inasmuch as it would encourage, as we sincerely hope it will, the uptake of much more storage.

Dr Whitehead: I should perhaps emphasise that although the clause is headed "Electricity Storage", it is about storage licences and therefore the particular technologies that the hon. Gentleman mentions, such as compressed air storage, would come entirely within this arrangement. So that no one is under any misunderstanding about that, it is intended to deal with all forms of storage, not just electrical battery storage.

Philip Boswell: I thank the hon. Gentleman for his intervention; it is most helpful and clarifies the position, should anyone be in any doubt. As such, we are minded to support this clause.

Andrea Leadsom: Since this is our last new clause, I thank all hon. Members. We have had a very entertaining and at times quite feisty debate. I put on record my gratitude to Opposition Members for raising so many different issues. I reassure them that in a lot of areas we are not disagreeing, it is just that the proposals they have made on specific methodology is not what the Government agree is the right way forward. I am grateful to Opposition Members and, of course, to my hon. Friends who have contributed enormously to an interesting debate. On this last new clause, I am as keen as mustard on electricity storage; it has a vital contribution to make to dealing with intermittency and I wish we were five years ahead—it will be interesting to see how much we have managed to achieve in creating this new ability to store intermittent generation.

New clause 14 would create a new licence category for electricity storage operators and allow other licence holders, such as generators and transmission and distribution network operators, to hold an electricity storage licence. The creation of a separate electricity storage licence is an option that is being considered by my Department and one of a number of issues for storage operators to be included in a call for evidence in the spring. This will enable us to test it against other options, which may be less regulatory and burdensome, more targeted and, importantly, faster to implement. So, much as I would love to say, on this very last new clause, that we agree with the hon. Member for Southampton, Test, the problem is that licensing storage now would be premature. Indeed, the Electricity Storage Network, which is a key trade body for the storage industry, has criticised this new clause on the grounds that it

"pre-empts the current work by the Department"

and

"may hinder, rather than help, the progress of well thought-out strategies to support … the storage industry."

I fear that the new clause could also have unintended consequences. For example, it could put the UK in breach of EU unbundling rules in the third energy package. These rules make it clear that transmission owners, in particular, must not own generation or supply assets, which could include storage. Also, and fundamentally for me, licensing storage is just not a simple or a quick solution. While, as the hon. Gentleman points out, we could include it in the Bill, it would require wholesale changes to the industry codes, which could take up to two years or more from licensing. This autumn, when we respond to the call for evidence, we will set out what actions we will take, and by when. These actions will include measures to address policy and regulatory barriers to storage.

I know that all hon. Members recognise how vital energy storage could be for our system. It is a feeling we all share, but I hope that they will also recognise the wider implications of acting too soon. I hope that hon. Members are reassured that the Government are actively seeking solutions to how best we can deploy storage while keeping an open mind about their proposals.

Before I sit down, I very much thank the Clerks, the Doorkeepers and you, Mr Bailey, for all your efforts in managing this Bill Committee so well.

3.30 pm

Dr Whitehead: It is encouraging to hear that we share a sense of urgency about bringing forward energy storage and, indeed, a sense of inquiry about how that can best be done. As the Minister has said, the new clause that I proposed this afternoon appears to be one of the options that the Government might consider. I emphasised that it was not itself the solution, but part of a wider solution, and that it could be introduced in a relatively straightforward way, but the Minister said that there could be some issues with it. Nevertheless, I hope that it is considered with the same sense of urgency as we have heard this afternoon.

I remain concerned that we may miss the boat for legislation as far as the outcome of any discussions are concerned. The Government might introduce an Energy Bill next year, so that might be when such detailed legislation could be made. If that is the case, as the Minister seems to be convinced, that will be a step forward. On careful consideration of what she has said, I am happy to withdraw the new clause, but I hope that its content does not disappear and will be firmly on the table for future discussions.

I thank you, Mr Bailey, for your wise and careful chairmanship of our proceedings, and offer similar thanks to your co-Chair, Mr Davies. I thank the Clerks, the long-suffering—in terms of our proceedings—Doorkeepers, and all who have taken part. I concur with the Minister: we have had a good examination of the issues, and matters have been conducted in a spirit of considerable civility and, sometimes, conviviality. I particularly thank the Minister for occasionally actually

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laughing at my jokes, which was very helpful. Finally, I thank her for her excellent supply of raisins and associated commodities, which have helped the Committee in its deliberations. With that, I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

The Chair: I must inform the Committee that the pleasantries were, to a certain extent, pre-emptive. I am sure Members will be delighted to hear that we must now deal with new clauses 15 and 16.

New Clause 15

ONSHORE WIND POWER: RENEWABLES OBLIGATION

'The power to make a renewables obligation closure order in respect of electricity generated by an onshore wind generating station in Scotland may only be exercised by Scottish Ministers.' *—(Callum McCaig.)*

This new clause would return to the Scottish Ministers the power to close the renewables obligation in relation to electricity generated by onshore wind generating stations in Scotland.

Brought up, and read the First time.

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

The Committee divided: Ayes 2, Noes 11.

Division No. 15]

AYES

Boswell, Philip	McCaig, Callum

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 16

STRATEGY FOR INCENTIVISING COMPETITIVENESS OF UK-REGISTERED COMPANIES IN DECOMMISSIONING CONTRACTS

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

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

(a) HM Treasury;

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

(c) the Oil and Gas Authority;

(d) Scottish Ministers, and

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

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

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

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

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

Brought up, and read the First time.

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

The Committee divided: Ayes 6, Noes 11.

Division No. 16]

AYES

Boswell, Philip	McCaig, Callum
Lewis, Clive	Pennycook, Matthew
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.

Bill, as amended, to be reported.

3.36 pm

Committee rose.

Written evidence reported to the House

EB 26 The Royal Burgh of Sanquhar and District Community Council

EB 27 ScottishPower

EB 28 Renewable Energy Systems

EB 29 Dr G M Lindsay

EB 30 Department of Energy & Climate Change Memorandum relating to Standing Order No. 83L