

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Ninth Delegated Legislation Committee

DRAFT RENEWABLES OBLIGATION CLOSURE
ETC. (AMENDMENT) ORDER 2016

Wednesday 2 March 2016

No proofs can be supplied. Corrigenda slips may be published with Bound Volume editions. Corrigenda that Members suggest should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor's Room, House of Commons,

not later than

Sunday 6 March 2016

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

© Parliamentary Copyright House of Commons 2016

*This publication may be reproduced under the terms of the Open Parliament licence,
which is published at www.parliament.uk/site-information/copyright/.*

The Committee consisted of the following Members:

Chair: MRS CHERYL GILLAN

- | | |
|---|---|
| † Blenkinsop, Tom (<i>Middlesbrough South and East Cleveland</i>) (Lab) | † MacNeil, Mr Angus Brendan (<i>Na h-Eileanan an Iar</i>) (SNP) |
| † Borwick, Victoria (<i>Kensington</i>) (Con) | † Malthouse, Kit (<i>North West Hampshire</i>) (Con) |
| † Bridgen, Andrew (<i>North West Leicestershire</i>) (Con) | † Maynard, Paul (<i>Blackpool North and Cleveleys</i>) (Con) |
| † Chalk, Alex (<i>Cheltenham</i>) (Con) | † McCaig, Callum (<i>Aberdeen South</i>) (SNP) |
| † Cleverly, James (<i>Braintree</i>) (Con) | † Onn, Melanie (<i>Great Grimsby</i>) (Lab) |
| † Drax, Richard (<i>South Dorset</i>) (Con) | † Smith, Jeff (<i>Manchester, Withington</i>) (Lab) |
| † Hayes, Helen (<i>Dulwich and West Norwood</i>) (Lab) | † Smith, Julian (<i>Skipton and Ripon</i>) (Con) |
| † Herbert, Nick (<i>Arundel and South Downs</i>) (Con) | † Whitehead, Dr Alan (<i>Southampton, Test</i>) (Lab) |
| † Leadsom, Andrea (<i>Minister of State, Department of Energy and Climate Change</i>) | Glenn McKee, Gavin O’Leary, <i>Committee Clerks</i> |
| † Lynch, Holly (<i>Halifax</i>) (Lab) | † attended the Committee |

Ninth Delegated Legislation Committee

Wednesday 2 March 2016

[MRS CHERYL GILLAN *in the Chair*]

Draft Renewables Obligation Closure Etc. (Amendment) Order 2016

2.30 pm

The Minister of State, Department of Energy and Climate Change (Andrea Leadson): I beg to move,

That the Committee has considered the draft Renewables Obligation Closure Etc. (Amendment) Order 2016.

It is a great pleasure to serve under your chairmanship, Mrs Gillan.

The draft order closes the renewables obligation 12 months early to solar PV generating stations at 5 MW and below from 1 April 2016. It will apply to new generating stations and to existing stations that wish to add additional capacity up to the 5 MW threshold.

Solar PV is an important part of the low-carbon energy portfolio. It has seen strong growth in recent years, due in no small part to support from the renewables obligation and the feed-in tariff schemes. In many ways that progress is excellent news, making a valuable contribution to our renewable electricity generation. The amount of deployment, however, has also raised concerns about its impact on the levy control framework, the budget that caps the amount of support paid for through consumers' energy bills. I am sure hon. Members agree that the Government need to act responsibly when there is a risk of exceeding such a budget. We have therefore introduced a number of measures to deal with the projected over-allocation of renewable energy subsidies. In those measures we have aimed to strike the right balance between the interests of consumers and the interests of developers.

This time last year we were considering a similar order relating to the early closure of the renewables obligation scheme to large solar farms, those over 5 MW in size. Solar farms at that large scale were deploying much faster than previously expected. We were rightly concerned about the impact that that speed of deployment could have on the levy control framework. At the time it was decided not to extend the closure to projects at 5 MW or below, because the evidence suggested that the smaller schemes posed less of a risk to the levy control framework.

Hon. Members will recall, however, that in the debate last year it was made clear that the deployment of smaller scale projects would be closely monitored. If deployment were shown to be growing more rapidly than could be afforded, measures would be considered to protect the framework. The monitoring revealed that, if we did not act, up to four times more new solar capacity would be eligible for support this year and next under the renewables obligation than we had previously estimated, over the lifetime of the projects costing in the range of between £1.2 billion and £2 billion, in real

terms at 2011-12 prices. I am sure the Committee agrees that in such circumstances the need for further action is essential.

In taking the action to complete the early closure of the RO to solar, we have aimed to strike the right balance between protecting bill payers and protecting developers who have made significant investments. That is why the draft order makes provision for a number of grace periods which mirror those offered as part of the large-scale closure. Stakeholders have welcomed that consistency.

One of the grace periods proposed was designed to protect developers that could show a significant financial commitment had been made on or before the date the proposals were announced. That required evidence that a planning application had been made, among other things. During the consultation, however, we received evidence that some developers were submitting invalid planning applications just to meet the deadline. We have therefore clarified the policy intent of the planning application requirement so that it is in line with what is considered a valid application in planning legislation throughout Great Britain.

When we closed the renewables obligation early to large-scale solar farms last year, we saw a rush of projects accrediting to beat the closure date. More than 1.5 GW of solar were accredited in March 2015 alone, covering an area equivalent to about 5,000 football pitches. This time around, because we had evidence to suggest that the costs of solar PV had fallen further and faster than previously anticipated, we proposed excluding new solar projects from our grandfathering policy if they did not meet the significant financial commitment criteria. That was necessary to avoid locking in possible overcompensation in the event of a similar rush of projects accrediting before the closure date. The change in policy will mean that if a banding review were to determine a lower level of support, projects that are not grandfathered would not maintain their level of support. That proposal was unpopular with developers, but it is necessary as a cost control measure.

We confirmed that change in policy last December, and at the same time we started to consult on the results of the banding review. We are currently considering the consultation responses. Subject to the outcome of that process, changes will be implemented later this year through a separate amendment to the Renewables Obligation Order 2015.

Our analysis indicates that the early closure proposed in the order will save between £60 million and £100 million a year from consumer bills. Total solar deployment under the levy control framework subsidy regimes will reach 12.8 GW by 2020, following the closure and the action taken in the recent feed-in tariff review. The electricity market reform delivery plan is our best estimate of what we need to hit our 2020 target and sets out an intention to deploy between 10 GW and 12 GW. So even with these changes, we are on track to exceed that range, which further underlines the need to take action to prevent further solar deployment under the scheme.

We have taken the opportunity in the order to remove an inconsistency between the Renewables Obligation Closure Order 2014 and article 91 of the Renewables Obligation Order 2015, which was drawn to our attention by stakeholders. We are making a technical amendment to make it clear that an operator of an offshore wind

station benefiting from a closure grace period can apply to Ofgem for registration of offshore wind turbines until 31 March 2018. That does not change the policy intention.

The Government are committed to combating climate change, but in the most cost-effective way for bill payers. By summer 2015, the costs imposed on bill payers associated with support for renewable and low-carbon electricity generation were forecast to reach £9.1 billion in 2021, significantly above the target of £7.6 billion. If the costs reached that level, they would need to be met through increases in consumer bills. It is therefore absolutely right that we have looked at ways to protect value for money and affordability under the levy control framework. I hope hon. Members will agree that on balance, the approach we have taken is the right one. We are closing a demand-led scheme and taking action on overcompensation, while still allowing solar to be deployed under the revised feed-in tariff scheme. That will ensure that solar PV is supported in a way that offers better value for money for consumers. I commend the draft order to the House.

2.38 pm

Dr Alan Whitehead (Southampton, Test) (Lab): It is a pleasure to serve under your chairmanship this afternoon, Mrs Gillan.

As the Minister set out, the effect of the order will be to close access to the renewables obligation for solar arrays of under 5 MW by March 2016. It represents another early closure of the RO, alongside the one for onshore wind and, as she mentioned, the previous one relating to larger solar. One might add that reining back renewables is another perverse, sudden policy intervention. As she mentioned, the category of solar in question eventually proved rather successful. If the solar industry at the sub-5 MW level had been as unsuccessful as, say, the green deal, perhaps the closure would never have happened. Perhaps that is not a terribly good example to use, because of course the green deal has been scrapped as well, on the grounds that it was unsuccessful.

To understand how sudden and random the intervention was, we need only look at the supporting documentation for the statutory instrument, from which we can see that the consultation on the early closure, and the grace periods attached to it, which the Minister drew attention to, commenced on 22 July and closed on 2 September—just when everyone was on holiday; but perhaps that is beside the point.

The date of 22 July happened also to be the date on which projects that were not fully agreed, for example in the planning process, could make no further progress through grace periods. To show how random that turned out to be, I have a note from a leading UK solar company, telling me that the 22 July grace period qualification deadline was

“by definition was unknowable even 24 hours in advance”

of its being announced and that 22 July was the first time anyone in the industry knew about the date. The company had one project, which it was 95% ready to submit as a full planning application; but it did not intend to do so until about a week after the consultation was published.

When the 22 July consultation was published, with the grace period definition within it, the company scrambled within 24 hours to try to submit its project, but failed by

one day. With one day’s notice it did quite well to fail by one day; but nevertheless it was still cut off, which means it has £1 million tied up in a project that may now not qualify for anything, solely on a technicality it could not control, despite the fact that the planning application was 100% valid and less than one day late.

Indeed, the process of consultation has been substantially criticised by the Secondary Legislation Scrutiny Committee in another place, which drew particular attention to the deficiencies in the consultation period and the difficulties caused, particularly with the sudden emergence of grace periods, for the industry as a whole.

The central justification for the policy lurch is also to be found in the supporting documents; as the Minister has also mentioned, it is to keep within the levy control framework, that half-mythical, half-real device that now hovers over most renewable deployment for the next 10 years—or should we say the next five years.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): I did intend to intervene on the Minister about that, but is not it high time there was full transparency on the levy control framework, so that given the lurches and changes there have been in policy we could at least have some idea of what is underpinning this? There are investors in particular who have got quite nervous in the last while, with the possible pushing up of premiums they will have to borrow with to invest in the future.

Dr Whitehead: The hon. Gentleman has clearly, with a little long-sightedness, been looking over my notes, because that is exactly the point I need to emphasise now about the levy control framework. Although we think that the issue is about the next 10 years, as far as the deployment of renewables is concerned, we simply do not know in any detail what will happen to the levy control framework between 2020 and 2025, despite the fact that the Government have indicated that detail will be filled in at some stage. Obviously, that is a cause of continued consternation for those attempting to plan some sort of future for their longer-term projects.

We need to emphasise that many of these projects require a number of years to undertake, and therefore some form of guidance and certainty would be useful for projects that may be starting now and may not be operational and available for contracts for difference, if there are such things in the period between 2020 and 2025. It would be helpful if those companies had at least the assurance that they were not wasting their time by putting forward proposals for the future.

The impact assessment for the SI says in its opening lines:

“The proposed interventions intend to limit projected spending under the Renewables Obligation, while not harming projects that have already made significant financial commitments”—

which is not necessarily the case, as we have seen—

“This is to limit the impact on the LCF of significantly greater solar deployment than previously anticipated.”

Of course, we do not know the actual impact on the LCF of significantly greater solar deployment than previously anticipated because we do not know the effect of overspends within the LCF—that is, the LCF’s original projections for spending on solar and the overspend in terms of the variation from those original projections. We do not know that because apparently we are not to

[*Dr Whitehead*]

be trusted with that information. No variation figures have been published, nor are apparently likely to be.

Indeed, I have now asked three parliamentary questions on the effects of that variation, which is central to the impact assessment of this SI. On each occasion, I have been met in the answer with complete stonewalling, on frankly increasingly spurious grounds, on what those variation totals consist of. I am sure the Minister is aware of that issue, because it was she who signed off the answers to those questions on the future of the LCF variation.

It would be helpful for the passage of this debate if the Minister, perhaps by an intervention, gave me the actual sums for the variations over the period relating to solar. It would be even more helpful if she gave those relating to variations in her Department's calculations as far as the LCF is concerned below 5 MW. We could then determine whether the variations in spending really had such an impact on the LCF that they caused this particular decision to come about, or whether they were of an order that would not have had much of a substantial impact on the LCF—as I suspect may be the case, though we do not know.

Andrea Leadsom: I am slightly offended to hear that the hon. Gentleman thinks I have ever stonewalled him in answer to a parliamentary question. I assure him that I always seek to reply as openly and fully as I can to parliamentary questions, and I take particular care with his.

In answer to the hon. Gentleman's question, as I have already set out, this early closure is saving in the region of £60 million to £100 million per year on the levy control framework. In aggregate terms, with the rate of deployment that we were seeing in the smaller solar fields, the total cost over the lifetime of the up to 20-year subsidy could have been up to £2 billion—a fairly princely sum. He will also be aware that the levy control framework projections will be set out by the Office for Budget Responsibility in only a couple of weeks' time, during its Budget assessment.

Dr Whitehead: I thank the Minister for that intervention. Frankly, the information she has provided the Committee with today is rather in line with the circumstances in which she felt she could respond to my parliamentary questions. I hope the Minister is not offended by any suggestion that she personally prevented me from getting the information that I requested. My point is that the levy control framework is now so opaque, in terms of its operation and its variations, that it affects proper scrutiny of how decisions have come about. That is not as a result of possible spending in the future but about variations in the past—what was originally thought to be the trajectory of the levy control framework and, as reported in the impact assessment, its actual trajectory in terms of overspending, and how that relates to subsets of that, in particular as we are discussing this afternoon, subsets of solar expenditure as they relate to sub-5 MW installations.

Mr MacNeil: Just picking up on the point about the LCF and the OBR, if the LCF is opaque, the OBR varies wildly in its estimates. In November 2014, the projected LCF spending was £6.25 billion in 2021, but

by July 2015—eight months later—the forecast spending was £9.8 billion, a huge change of approximately 50% in the OBR's projections. That further adds to the hon. Gentleman's call for clarity and an end to the opacity.

The Chair: I remind colleagues that interventions should be brief.

Dr Whitehead: I thank the hon. Gentleman for his intervention, despite its length, which underlined the opacity of the levy control framework and the difficulty of getting to grips with what is really going on with those sums of money. We must also bear it in mind that those sums are not Treasury money. They are money from levies that will be raised from supply companies and passed on by, among others, the CfD counter-party body, which we discussed in a recent SI, to generators and, eventually, to bill payers. I mention that aspect of the LCF because the question we may want to ask this afternoon, in terms of the overall aspect of the levy control framework and how it relates to this particular level of solar deployment, is whether the projected effect on the levy control framework would actually be fatal to it or just a small aspect of it. We do not know, because we do not have the variation figures. Figures from the impact assessment suggest that the closure of the RO early for small solar of this range might put about £1, on average, on household bills—or £80 million per annum. While that is important for household bills, it looks to be—at first sight—a drop in the ocean for the entire LCF and, quite possibly, even within the boundaries of an adjustment of the LCF that the Department has available under the terms that it originally agreed.

There is a real question here, to which we will probably never know the answer because we do not have the proper information available. Was it necessary to do all this for just that result, especially when it is beginning to be established that solar deployment is—by moving the merit order on generators' supply during the day—actually lowering prices to customers over the long term? Has the Minister analysed the impact on customers of that counter-indicator of the effect of solar on merit order? I suspect that if she did some work on that, she might find that the actual cost to customers, over time and in this context, would be close to nil.

We have some very good, immediate comparisons on customers' bills to look at in the context of this afternoon's debate. Just yesterday the Department published its proposals for capacity market reform and it has been estimated that, among other things, the new proposals will double the effect on customer bills of the previous capacity market arrangements—from £10 per annum on customer bills to over £20 per annum. That looks to me, at first sight, as though it will have a very substantial impact on the levy control framework, but of course the capacity payments, which do indeed filter through to customer bills in just the same way as levies do for renewables, are not within the LCF framework, or at least not as far as control totals are concerned. So it is official: you can whack up customer bills in a vain attempt to get some investors to invest in gas-fired power stations, with no evidence that it will actually happen, whereas when investors are seeking to invest in real solar power for the future, with the effect that I have described, it is necessary to stop that happening because it might affect the levy control framework.

This is a short-sighted, damaging measure, which never should have been considered in the first place. Solar is now on a good glidepath to no subsidy, perhaps in the next few years. To replace that glidepath with a cliff face in this way will surely kill the very technology that can, with some additional deployment, be of immense value to our energy plans for the future. That is why I am afraid we cannot support this measure today, and wish to divide on the matter.

2.57 pm

Melanie Onn (Great Grimsby) (Lab): It is a pleasure to serve under your chairmanship, Mrs Gillan. Great Grimsby produces a higher proportion of our electricity from renewable sources than any other town or city in the country, making my constituency the renewable capital of England—although mistakenly called a city, for some reason. That is partly as a result of the efforts of the solar industry. We have 10 companies working on solar installation in the town, and perhaps because hundreds of people in the town work on the offshore wind farms, the industry has raised people's awareness of renewable energy more widely. Solar was, until recently, a growing sector in the town.

The director of Greater Grimsby Community Power has told me today that, although he is confident that he can meet all of his existing plans before the closure of the renewables obligation, the move that is being discussed today will mean that his organisation will not be able to expand beyond its current output. I think that that will be replicated across many organisations and companies in the country today.

My constituency really needs more of the jobs that these organisations are able to offer. For years we have consistently had one of the highest unemployment rates in the country, but the growth in the renewable energy industry from solar and other sources is giving people in the town renewed hope for their employment prospects and those of their children. As I mentioned to the Minister this morning, I recently hosted the renewable energy skills fair. Over 130 people attended, and they are keen to move into the sector, but the Government's change in policy for the solar industry, particularly since May 2015, has led to the loss of thousands of jobs nationally, with many more at risk of going in the near future. This has been done at a time when the sector really is on the cusp of becoming economically competitive; so many more thousands of jobs could be created if the Government took a different approach.

Looking at the renewables sector more widely, the early closure of the renewables obligation could have a damaging impact on investor confidence across the sector. I know—as does the Minister—from speaking to the major companies that have built offshore wind farms in my constituency, that confidence is the key to unlocking private sector investment. What message are the Government sending to wind, tidal, biomass, nuclear and any other subsidy-reliant sectors by going back on their previous plans and cutting subsidies earlier than they previously agreed? This measure is damaging to our country's reputation as a safe place to invest.

3 pm

Helen Hayes (Dulwich and West Norwood) (Lab): It is a pleasure to serve under your chairmanship, Mrs Gillan. I want to put on record my opposition to this short-sighted

and unnecessary measure. The Government's argument in making this change to the renewables obligation implies that, but for the renewables obligation, there is a level playing field in the energy market for all types of producers. That is simply not the case.

The renewables obligation is an interim measure to support the solar industry, which is still young and emerging in the UK, to establish itself in the market. At the same time, the Government continue to subsidise fossil fuel-dependent producers in multiple ways, so we do not have a level playing field and now they are taking away the one measure that was playing a role in creating a more balanced market and allowing solar to emerge as a mature sector within it.

Despite the impact assessment, I do not believe that the Government have fully explored the impacts of their measure. The solar energy industry is dominated by small businesses. The impact assessment estimates that between 8,700 and 4,500 full-time-equivalent jobs will no longer be supported in the solar industry, but the assessment says that data are poor and that there is a great deal of uncertainty about the figures. Those are big job losses and there is no indication in the assessment that the Government have talked in any detail to small businesses in the solar industry, who will be directly affected, about the impact that the loss of the renewables obligation will have on them.

I met recently with a small-scale solar installation company in my constituency. The proprietor told me that since the announcement the bottom has dropped out of the solar market part of his business. He does a number of other things—he installs windows and so forth—so that did not directly translate into job losses for his business, but he said that interest from domestic consumers in installing solar panels had simply dried up. That has the effect of stopping individual households who want to do the right thing and do their bit towards combating climate change from doing so.

The installer I spoke to was mystified by the Government's approach. He said that solar panel installation had been growing year on year as a component of his business and that, because prices from his suppliers were falling, it would not have been too long before that part of his business would have been profitable without subsidy. He therefore did not understand why, as my hon. Friend the Member for Southampton, Test said, the Government are leaping from a glide to a cliff-edge and, as the installer put it, the rug was simply being whipped out from underneath the sector.

We have no more pressing challenge than climate change and central to addressing that is a fundamental shift in how we produce energy in this country. This measure damages the progress made towards a shift to renewables. It is short-sighted, bad for business and bad for the environment. I oppose it wholeheartedly.

3.3 pm

Callum McCaig (Aberdeen South) (SNP): It is a pleasure to take part in this debate. The Minister spoke extensively in this and other debates on the renewables sector about how the Government are on track to meet their targets on solar deployment, which we are discussing today, and on onshore wind, which has faced a similar fate. I will read a quote:

[Callum McCaig]

“simply meeting the targets we have set ourselves will not be example enough for the rest of the world to follow.”

That is from the reset speech by the Secretary of State, and I agree wholeheartedly with the sentiment expressed there. If we simply focus on meeting the targets set some time ago, we will not be able to achieve what is required.

The UK proudly led the high ambition coalition at the Paris talks last year, but I wonder how we are to achieve that high ambition when we are deliberately curtailing our own ability to meet what is required. That will be damaging for industry, as we have heard from hon. Members, and will have an impact on jobs, but above all it will have an impact on our ability to reduce our carbon emissions in the most cost-effective way. Solar and wind are cheap forms of zero-carbon production, and to limit them in such a crass and blunt manner at a time when they are becoming even more cost-competitive is short-sighted, as a number of Members have said today.

I and my party believe that solar has an important role to play in the energy mix, and I very much agree with the comments made by the hon. Member for Southampton, Test and, in interventions, by my hon. Friend the Member for Na h-Eileanan an Iar, about the absolute requirement of transparency in the levy control framework, the impact that the order will have on it and how low-carbon producers will be able to have certainty going forward.

We cannot look at the costs of the proposal, which the impact assessment says are potentially £100 million, in isolation. We need to look at the costs of replacing the solar capacity that would have come online with something else, but those costs are not clear. Nor can we look at the levy control framework in isolation, because we need to consider the capacity market, the strategic balance and the reserves. We need to look at it in the round, and for far too long debates have been focused on individual smaller policy areas. It is easy to pick off solar or onshore wind in isolation, but for some reason it does not seem to be quite so easy to pick off nuclear in isolation. If it costs £100 million a year to produce 2 GW using solar, I ask the Minister how much the annual costs of Hinkley Point will be. By my reckoning, solar would be better value. That has not been made clear, and there are significant concerns about that.

There are costs to inaction, which have not been and will not be factored in, and some of them are intangible. The order is not a sensible way forward. There is a positive transition to solar—the costs are coming down and deployment is going up, exceeding our ambitions. Coming back to the Secretary of State’s speech, that should be seen as a good thing, not a bad thing, because it means that we have had the right investment framework. More needs to be done, and there are intermittency problems with all forms of renewables, but when we were discussing the Energy Bill—perhaps in this very room—we had debates about storage, which can help make renewables more of a reality and provide the base-load that is required.

Technologies such as solar have a strong part to play in the future if they have the right Government support. The proper support has not been put in place, and the

order will further undermine and erode that support and the confidence in the industry that we need in order to deliver what we are requiring of ourselves. As such, the Scottish National party will oppose it today.

3.9 pm

Mr MacNeil: I had not intended to speak today, but given the length of my intervention I thought I should make a speech.

I back up the call that the hon. Member for Southampton, Test made. He was on my Committee, the Select Committee on Energy and Climate Change, but sadly for a very short while. Because of his abilities and merits he has been promoted to the Labour Front Bench, and I congratulate him on that. He is absolutely right that the LCF needs to be transparent, and the assumptions and methodologies behind it have to be published. We cannot get far unless we have that.

The Minister said that £60 million to £80 million would be saved through this order on solar. That is less than 1% of an annual LCF payment, so it is not a lot. It is seen as a cost, and not as an investment. That is the philosophical difficulty with the Government. Any spending today is seen as a cost and not as an investment for the future.

The hon. Member for Great Grimsby made a good point: the policy is costing investment and jobs in her constituency. I agree with that. There is another effect: the cost of capital will increase for people borrowing for future projects. In evidence to my Committee, some people said that the cost would increase by 2%, which would come to about £3 billion, which represents about 0.15% of GDP. That shows that DECC’s decisions are costly in many ways. There is also the point about the investment that has not happened in the past few months.

Therefore, I am worried by the direction of travel, the lack of a plan and the lack of transparency at DECC. We have to look at what else has happened over the last number of years, at previous spending on renewables and at what that has done to the wholesale price of energy. The wholesale price of energy has, of course, fallen because of the fall in the price of fossil fuels, but there has been a further push. Once they are constructed, renewables’ energy price is effectively zero. That pushes the wholesale price down further.

I saw a good example of that with my Committee in Denmark last week. We were told that, such was the expansion of renewables in Denmark and in Sweden, a nuclear plant that has been refurbished has asked not to be commissioned and used. Such is the competition from renewables that nuclear in Scandinavia is not competing, apparently. We should be aware of the effects of renewables on the energy market in various parts of Europe.

My Committee will tomorrow publish the investor confidence report, which is slightly hampering some of my remarks today because I would not want to be in contempt of Parliament. However, I encourage everyone to look out for that report tomorrow from the Energy and Climate Change Committee.

The Chair: We thank you for the commercial. I am sure everyone will have a look at it.

3.12 pm

Andrea Leadsom: I have to say I am getting sick and tired of the barrage of complaints from Opposition Members on one day about the end to subsidies— at a time when subsidies are no longer necessary at the level they were—and the next day or the next week about fuel poverty, with Members throwing stones at the Government for not doing enough to reduce bills to consumers. They cannot have it both ways. They need to decide. Do they want subsidies to continue, regardless of the impact on bills?

The hon. Member for Southampton, Test, the Chairman of the Select Committee, the hon. Member for Na h-Eileanan an Iar, and others, including the hon. Member for Aberdeen South, complain about fuel poverty and about the effort to avoid the impact on consumer bills—they say it is only a pound, it is only £60 million, it is only £100 million, it is only £2 billion over 20 years. Why is that worth saving? Because the Government's policy is to be the consumer champion and to ensure we decarbonise at the lowest cost.

Mr MacNeil: Will the Minister give way?

Andrea Leadsom: No, the hon. Gentleman has had his say so many times and I am sick and tired of it. He needs to stop peddling that argument. The point of the Government's policy is to support consumers and to decarbonise at the lowest price. We absolutely support subsidies for renewables. They have been so successful and their costs have come down so much. We have carefully consulted, and we have concluded that they no longer need the subsidies at the rate they were receiving them at and that the potential impact on consumer bills of continuing with subsidies at that rate is too great. That is the end of it. Those are the facts. I am sorry that Opposition Members want to play politics with that but we are on the side of the consumer.

The hon. Member for Southampton, Test specifically asked about the eligibility date and why we chose 22 July 2015. That is the date on which we announced the proposals and the grace period was designed to align with that. The significant financial investment grace period is designed to protect those who made such commitments before we proposed to bring forward the RO closure date for solar PV. Moving the date to enable other less advanced projects to meet the eligibility criteria would increase the risk of more projects deploying at greater cost to the LCF. We have tried to strike the right balance between the public interest, including protecting consumer bills and ensuring the right mix of energy, and the interests of solar developers and the wider industry.

The other thing I will say to Opposition Members is that, since our changes to the feed-in tariff, deployment has continued in the solar sector. They like to speak as if no subsidy somehow means that no solar or renewable projects are coming forward. That is blatantly not the case. A significant and decent amount of renewables are still coming forward. Under the Government's policy, we believe that the feed-in tariff will enable up to another 1.1 GW of new solar installations between now and 2020, protecting the consumer while protecting and supporting the industry.

The hon. Member for Great Grimsby asked about job losses. The consultation period suggested that up to 23,000 jobs will continue to be supported by subsidy

and, potentially, many others without subsidy. We are aware that large-scale solar projects are coming forward without subsidy, so it is simply not true to say, as she did, that there are thousands of job losses and that there will be thousands more. There is no evidence for that.

Other hon. Members asked about the LCF transparency. I will make a further point about that. We have been clear that we do not break down published information on components of LCF spend, because of the potential disclosure of commercially confidential information. In certain sites, that has to be the case and has to remain so.

Other hon. Members talked about our impact assessment not having sufficient data points. I can tell the Committee that there were 55,000 responses to the feed-in tariff review and, from that, we gained about 5,000 extra data points from which we were clearly able to target that policy to continue to support renewables, so it is simply not the case that the draft order has been ill-thought-through or that it is not seeking to strike a balance between the interests of the consumer and the interests of the industry.

We are confident in our policy on renewables. Those industries are superb and great British success stories. Hon. Members will be aware that 99% of all solar installations have taken place since 2010, when the Conservative-led coalition Government came to office. Today, still, the vast majority of solar deployments has taken place under a Conservative Government.

In answer to the specific point about nuclear made by the hon. Member for Aberdeen South, he must realise that solar and nuclear are not directly comparable. Solar is not dispatchable; it provides electricity when the sun is shining. Nuclear is dispatchable; as the hon. Gentleman is aware, most days we get 19% or 20% of our electricity, day in, day out, from dispatchable, reliable nuclear electricity. That cannot be the case from solar.

Callum McCaig: I accept that, but will the Minister likewise accept the point that I made, which is that if we are to be serious about storage, with investment and a proper mechanism for it to happen, solar can do that and, arguably, at a similar cost to nuclear, if not cheaper?

Andrea Leadsom: The hon. Gentleman did not make that point, but I entirely agree. As he well knows, in the Department we are looking closely at what exactly we can do to bring forward more storage. He also mentioned that nuclear in Scandinavia is asking not to be brought forward because it cannot compete with renewables. As he knows, what is meant there is hydroelectricity, which is dispatchable, so he makes my point for me. We cannot compare intermittent technologies with dispatchable electricity—it is simply not relevant to our discussion.

I thank members of the Committee for their contributions to this debate. It is very important to make it clear on the record that this Government are on the side of consumers. We will absolutely keep the lights on and decarbonise at the lowest cost to consumers, keeping the balance right between the interests of consumers and of developers.

Mr MacNeil: Will the Minister give way?

Andrea Leadsom: I will give way one last time.

Mr MacNeil: I am very grateful to the hon. Lady for giving way. I do not want to make her any more sick and tired, so I will ask her briefly—[*Interruption.*] I am not sure which one is the Minister.

The Chair: Order. I will not take sedentary interventions.

Mr MacNeil: Does the hon. Lady agree that present-day consumers have benefited from past investment in renewables?

Andrea Leadsom: I absolutely agree. As I have just said, 99% of all solar installations have taken place since 2010. This Government have done more to promote renewables than any other Government ever in the UK. Some £52 billion has been spent on the renewables sector since 2010. I absolutely agree. We utterly support this sector and we are keen to continue to do more for it, but not at any price and not at subsidy levels that harm consumers and are not needed by the industry.

In conclusion, this order achieves a balance between the interests of consumers and the interests of developers. The grace periods will make sure that significant financial commitments are protected.

Question put.

The Committee divided: Ayes 10, Noes 8.

Division No. 1]

AYES

Borwick, Victoria
Bridgen, Andrew
Chalk, Alex
Cleverly, James
Drax, Richard

Herbert, rh Nick
Leadsom, Andrea
Malthouse, Kit
Maynard, Paul
Smith, Julian

NOES

Blenkinsop, Tom
Hayes, Helen
Lynch, Holly
McCaig, Callum

MacNeil, Mr Angus Brendan
Onn, Melanie
Smith, Jeff
Whitehead, Dr Alan

Question accordingly agreed to.

Resolved,

That the Committee has considered the draft Renewables Obligation Closure Etc. (Amendment) Order 2016.

3.22 pm

Committee rose.