PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

THE VALUE ADDED TAX (REDUCED RATE) (ENERGY-SAVING MATERIALS) ORDER 2019

Monday 24 June 2019

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not later than

Friday 28 June 2019

The Committee consisted of the following Members:

Chair: Mr Laurence Robertson

† Afolami, Bim *(Hitchin and Harpenden)* (Con)
† Benyon, Richard *(Newbury)* (Con)
† Blackman, Kirsty *(Aberdeen North)* (SNP)
Coaker, Vernon *(Gedling)* (Lab)
† Dowd, Peter *(Bootle)* (Lab)
† Evennett, Sir David *(Bexleyheath and Crayford)* (Con)
† Hepburn, Mr Stephen *(Jarrow)* (Lab)
† Huq, Dr Rupa *(Ealing Central and Acton)* (Lab)
† Merriman, Huw *(Bexhill and Battle)* (Con)
† Milling, Amanda *(Cannock Chase)* (Con)
† Moore, Damien *(Southport)* (Con)
† Norman, Jesse *(Financial Secretary to the Treasury)*
† Smith, Jeff *(Manchester, Withington)* (Lab)
† Spellar, John *(Warley)* (Lab)
† Tomlinson, Michael *(Mid Dorset and North Poole)* (Con)
† Tracey, Craig *(North Warwickshire)* (Con)
† Walker, Thelma *(Colne Valley)* (Lab)

Hannah Bryce, *Committee Clerk*

† attended the Committee

First Delegated Legislation Committee

Monday 24 June 2019

[Mr Laurence Robertson *in the Chair*]

The Value Added Tax (Reduced Rate) (Energy-Saving Materials) Order 2019

4.30 pm

The Financial Secretary to the Treasury (Jesse Norman): I beg to move,

That the Committee has considered the Value Added Tax (Reduced Rate) (Energy-Saving Materials) Order 2019.

It is a great pleasure to serve under your chairmanship, Mr Robertson. The instrument amends the Value Added Tax Act 1994 to alter the scope of the reduced rate of VAT for the installation of energy-saving materials. That ensures consistency with the 2015 judgment of the Court of Justice of the European Union.

As the Committee will know, this Government are deeply committed to greening our economy and our society and bid fair to be the greenest Government ever. It is of huge regret to us that we have felt compelled to make this change because of EU regulation.

Under current UK VAT rules, a reduced rate of 5% applies to the installation of energy-saving materials such as insulation, solar panels and other technologies in residential properties. Under EU law, it is not possible to remove VAT from those materials, so the reduced rate of 5% applies. The VAT relief aims to lower the cost for consumers and families to install those energy-efficient products in their homes.

In 2011, the European Commission launched an infraction proceeding against the UK, arguing that the scope of the UK's reduced rate for the installation of energy-saving materials was too wide and needed to be changed. The Government did not agree with the European Commission's infraction proceeding, so the matter was heard by the Court of Justice of the European Union. In 2015, the Court agreed with the Commission and found that the scope of the UK's reduced rate for energy-saving materials was indeed too wide.

Under EU rules, the UK is obliged to comply with the decision of the EU Court of Justice. If it does not, the European Commission will be required to issue infraction fines against the UK.

John Spellar (Warley) (Lab): Given that the Prime Minister and others, including the Conservative leadership candidates, say that we are going to leave the EU on 31 October, why is the Minister rushing to comply rather than ignoring this and waiting until then?

Jesse Norman: As the right hon. Gentleman will know, it is hardly rushing to respond to an infraction proceeding that began in 2011 and involved a European Union Court of Justice appeal in 2015. While we remain a member of the EU, we are required to obey its laws. When we leave the EU, we will of course be in a position to revisit the issue.

John Spellar: I understand the build-up—it always takes this long—but given that Britain may leave the EU in only a few months, why does the Minister feel it necessary to do this now?

Jesse Norman: There is a natural pace of change to these things. The negotiations have taken place over the last three years, and the Government felt that, all things considered, it was appropriate not to delay further but to continue with the process of seeking to comply. We could be placed under infraction proceedings if we delayed on this matter, so it is important not to be delayed. As I have said, it will be perfectly possible and not difficult for a future Government to reverse the change by statutory instrument, in the usual way, after we leave the EU.

Under EU rules, the UK is obliged to comply with the decision of the EU Court of Justice. If it does not, the European Commission will be required to issue infraction fines against the UK. The Government have taken appropriate time to ensure that as much as possible of the existing VAT relief is maintained. The problem would have been faced by any Government committed to green energy, but we have managed to set up mitigations that others might not have done.

In 2015, a consultation on potential changes was published, which included proposals to remove entirely the VAT relief from the installation of solar panels. That could have affected 40,000 installations per year, and would have had a significant impact on those wishing to invest in sustainable energy solutions. Following a 2016 consultation on that proposed change, the Government recognised the concerns of industry, of colleagues across the House and of campaigners, and decided to go back to the European Commission to agree, if possible, scaled-back changes.

Since 2015, Treasury officials have held several sets of discussions with the European Commission. Following those discussions, the Government agreed with the Commission to maintain much of the reduced rate of VAT for solar panels, meaning that the changes will now affect far fewer installations. That is a highly successful negotiation outcome. We have done the right thing by complying with international obligations while maintaining as much of the VAT relief as possible for UK households.

The proposed amendments will maintain the reduced rate on all installations of energy-saving materials for recipients who are aged 60 or over or on certain benefits, for relevant housing associations, and where the installations are in buildings used for relevant residential purposes, such as care homes and children's homes. The proposed changes will remove the reduced rate for the installation of wind and water turbines, which are not deemed to be improvements to residential accommodation, and maintain the reduced rate for all other installations of energy-saving materials in residential accommodation where the cost of the materials does not exceed 60% of the total cost of the installation. That is a significant improvement on the 50% originally consulted on in 2016. The proposed changes are expected to take effect from 1 October 2019.

Her Majesty's Revenue and Customs put the changes to public consultation in April 2019. I am grateful for the responses provided by industry groups and other interested stakeholders. Although it was reasonable for industry groups to wish for the relief to be maintained in full, there was some acknowledgement that the Government are required to make the changes under EU law.

I understand that there will be concern from industry about the loss due to EU law enforcement of a VAT relief for energy-efficient products at a time when we are encouraging use of those products through other

schemes. That is why our agreement with the Commission to implement changes that affect relatively few installations is important. HMRC does not expect the changes to have a significant impact on the industry. Around 1,500 future installations of solar panels, energy-saving boilers and wind turbines, plus some other smaller-scale items, are expected to be affected annually. That represents less than 5% of the value of all installations currently eligible for the reduced rate. Overall, the changes are expected to have a negligible impact on Exchequer revenue.

Overall, the Government continue to support investment in energy-saving technology. Her Majesty's Treasury and HMRC will continue to work with the Department for Business, Energy and Industrial Strategy at official and ministerial level to manage the impact of the changes.

These changes are the result of a highly regrettable EU process of infraction and legal proceedings. They are necessary for the UK to maintain compliance with its international obligations. Speaking personally, I wish the previous arrangements had continued, as I am sure do many members of the Committee, but I am pleased that these changes have been agreed. They are designed to have the minimum possible impact so the Government can continue to support families with installing energy-efficient products in their homes. I commend the order to the Committee.

4.38 pm

Peter Dowd (Bootle) (Lab): It is a pleasure to see you in the Chair, Mr Robertson. I think this is the new Financial Secretary's first outing, certainly in Committee, so I welcome him to the role. However, I do not welcome his comments, which were a "not me, guv" statement. "Nothing to do with me, nothing to do with this Government; it's all about the EU. Let's blame them." That is what his statement was about.

On the day we got a climate change denying letter from Lord Lawson, we also have this order before us. The Solar Trade Association, which is deeply concerned, wrote to us, saying that MPs' actions must match our rhetoric. Today, we have had lots of rhetoric but no actions. I will touch on that a little more. I will also touch on the European Court of Justice judgment, which I know everyone in the room will have read—no doubt several times, to get the nuances of it.

As the Minister laid out, the order narrows the scope of the UK's reduced rate of VAT for installations of energy-saving materials in residential accommodation, with effect from 1 October. Under the new rules, the reduced VAT rate will no longer apply to wind or water turbines. Perhaps the logic is that they are not energy saving but energy producing, so they will not be eligible for this VAT reduction. That is a rather bizarre, almost Orwellian approach, which flabbergasted me.

Just months after the Labour party secured a parliamentary declaration of a climate emergency, introducing high taxes on energy efficiency and low carbon solutions for our homes while retaining a 5% rate on fossil fuels simply does not make sense. To add to the absurdity, a motion to approve a statutory instrument relating to the draft Climate Change Act 2008 (2050 Target Amendment) Order 2019 is being debated on the Floor of the House—if not today, perhaps in the next few days. How on earth can the energy-saving materials instrument fit in with that commitment? How can we understand it as anything other than favouring fossil fuels over renewable technologies?

Despite the rhetoric, which the Solar Trade Association mentioned, and grandstanding, the instrument makes it clear that, not only do the Government not take the climate crisis seriously, but they continue to support fossil fuels via the tax system. It is okay if they do that and also support renewables, but to do one without the other is a bit odd. Indeed, clauses 36 and 37 and schedule 14 of the Finance Act 2019, which we opposed, create a favourable tax mechanism to allow companies buying equity in UK oil and gas fields to acquire the tax histories of the selling companies. I say that only to juxtapose it with the Government's position today. It is probably to be expected, given that some Cabinet Ministers have denied the scientific consensus on climate change, and several of the Tory leadership contenders have close links with organisations and individuals who promote climate change denial. I refer, for example, to Lord Lawson and his letter today, which, if anybody has bothered to read it, is bizarre.

Meanwhile, figures released in April show that the UK is set to miss its own carbon targets by an ever wider margin. Can the Minister clarify the Government's position and explain how the order fits in with the fact that they are so widely off track in meeting their own targets?

We are told that the instrument is required because of an ECJ decision made in 2015. Colleagues will remember that, following the 2016 Budget debates, the Labour party forced a Government U-turn on their proposals to implement the decision, so why is it being introduced now—a point my right hon. Friend the Member for Warley made? The timing is particularly unfortunate and incongruous because the view in Europe on VAT has evolved considerably since the 2015 ruling. The European Commission continues to consider its action plan on VAT and has proposed,

"regular review(s) of the list of goods and services eligible for reduced rates",

and/or abolishing the list altogether. Did the Government bother to ask them about that? I suspect not in the negotiations that the Minister referred to. While the consultation continues, it would surely be unwise for the UK to pre-empt it.

My right hon. Friend also made the point that if we are to be out of the European Union by 31 October—apparently—why not kick the can down the road a little bit further? We have been kicking it down the road for about three years, so another few months will not make much difference. Taking far-reaching action now, only for changes to have to be made shortly, could risk imposing costs on businesses and individuals. A better approach is for the UK to work closely with the Commission to determine what minimal changes ought to be planned for, while still allowing action to tackle the climate emergency. That is the sensible way forward. That is what the Government should do instead of navel gazing with Tory party leadership elections while the country and our climate go to the wall.

A written ministerial statement refers to the meeting of the Economic and Financial Affairs Council, held in Luxembourg on 14 June 2019, discussing,

"a strategic long-term vision for a climate-neutral economy."—[*Official Report*, 13 June 2019; Vol. 661, c. 37WS.]

[Peter Dowd]

Given both the current ambiguity as a result of ongoing legislative reform in Europe, as well as the UK's planned imminent departure from the EU, it does not seem appropriate for the UK to use the 2015 ECJ judgment in this way.

Furthermore, the ECJ judgment says only that the UK could not apply reduced rates in a blanket way,

"irrespective of the social context in which such operations take place".

That suggests that, had the Government redesigned the scheme so that it took social context into account, they would not necessarily have had to scrap lower-rate VAT on energy-saving materials. Will the Minister tell us whether the option of adapting the Government's scheme to take into account social interest—as opposed to scrapping the subsidy entirely for the installation of wind and water turbines—was considered? We are not convinced that the SI is the only option for the future.

Despite the statement in the explanatory memorandum—that there

"is no, or no significant, impact on businesses, charities or voluntary bodies"—

many stakeholders argue that the final price paid by customers for measures that save energy and reduce emissions could be significantly increased. That might discourage the uptake of solutions that are key to making our homes energy efficient and low carbon in order to meet our climate change targets.

Rules based on the proportion of installation cost versus capital cost could disproportionately disadvantage people in less prosperous areas of the country where installation costs tend to be lower. This measure might also hit heat pumps and combined solar and storage systems, as the cost of the materials is likely to exceed the 60% limit. Will the Minister respond to those concerns, and will he clarify the process with regard to the impact assessment—the process that resulted in that stated conclusion?

Alternatively, Labour is committed to protecting and safeguarding investment in renewable energy and green infrastructure to help insulate homes. Recently, we announced plans to reduce energy bills by installing solar panels on nearly 2 million homes. Indeed, the shadow Secretary of State for BEIS, my hon. Friend the Member for Salford and Eccles (Rebecca Long Bailey), recently challenged the Government on their climate change actions in Prime Minister's questions, after they scrapped the subsidies for domestic solar panels in April. The Government have form on this—a big long list of all previous convictions and antecedents, as people used to say.

Climate change is clearly an existential threat. We owe it to ourselves, our communities and future generations to protect and safeguard the world in which we live. Labour takes those responsibilities seriously, so we cannot support the order.

I will now touch on how the Government did not do a good enough job in the negotiations or with the information they submitted to the Commission and to the Court. I could go through that in detail, but, as an example, I will refer to paragraph 37 of the judgment. This is important, because it goes to the heart of the Government's slapdash approach—

The Chair: Order. Will the hon. Gentleman speak up? I want to hear what the judgment says.

Peter Dowd: You are about the only one in the room who does, Mr Robertson. I am pleased about that and thankful for it.

Paragraph 37 sums matters up:

"However, the documents in the file submitted to the Court, without more, make it impossible for the Court to consider that argument, relied on for the first time by the United Kingdom in its rejoinder, to have been made out and to hold that the 'zero-rate system' remained, in accordance with Article 110 of the VAT Directive, actually applicable to such operations and covered such operations in their entirety. That argument consequently is not sufficient ground to call into question the Commission's complaint that the national legislation at issue, with regard to the application of reduced rates of VAT on the conditions laid down in Article 98 of the VAT Directive, read together with Category 10a of Annex III thereto, does not limit its scope to operations of renovation and repair of private dwellings."

I and other people read that to mean that the Government could have presented more documents, better evidence and a better case because the Commission was open to it. I repeat:

"However, the documents in the file submitted to the Court, without more"—

without more documents, it does not say more details—

"make it impossible for the Court to consider that argument".

The information and the will from the Government to make the case were lacking. They failed, and they should take responsibility for their failure and stop blaming the European Union, the Commission and the European Court of Justice. It is like in any case: they lost in court. They did not have somebody protecting, proselytising, and prosecuting their case, and they lost. They are responsible for the fact that this order is before us today. They should take responsibility and 'fess up to their failures.

4.50 pm

Kirsty Blackman (Aberdeen North) (SNP): It is a pleasure to serve under your chairmanship, Mr Roberston, and it is very nice to face the new Minister. I am sure we will be in many more Committees together in the coming weeks and months.

I have a few technical concerns and some general comments to make about the order. The explanatory memorandum included a link to the tax information and impact note, but it was not in the place that the link said it would be, and I eventually found it by googling it. The page that we were linked to has not been updated since March 2017 according to the bit at the top. If that can be corrected for future explanatory memorandums, that would be helpful.

The tax information and impact note does not adequately discuss the impact on the industry. It discusses the impact on businesses generally and whether there will be an impact on civil society, but it does not go into the impact on the industry, which is relatively small and will therefore be significantly affected by a change like this. I do not know whether there is an issue with the guidance given to those who draft such notes, or whether that should have been included. I would have expected to see information about the financial impact on the industry in that note so we can make a more informed decision in this Committee. The Government must have received

information about that in the consultation responses, so it must have been possible to include that in the information note.

The Conservative Government have not supported the solar and battery industries. There is a climate emergency, so we need much more support for renewables. The UK Government are not supporting onshore wind. We would love there to be more onshore wind in Scotland, but we cannot make that happen because of the lack of support from the Government. If we are to be more reliant on renewables—I think we all want that—and less reliant on fossil fuels for our electricity needs, we need better battery storage. If this order has a negative impact on the development, creation and installation of battery storage, we will be much less likely to meet our climate change obligations and reduce the amount of carbon we are producing throughout the countries of the UK.

The information about the possible differential regional impact that the hon. Member for Bootle presented is important. Choosing a threshold of 60% seems a very odd way to do it. I was looking at the consultation notes, and basically if a supplier pays £400 for the materials and then charges the customer £1,000, they will be eligible for the reduced rate of VAT. However, if they pay £650 for the material and charge the customer £1,000 before VAT, they will not be eligible for the reduced rate, and the customer will therefore be significantly worse off, purely because the labour costs are less in that particular area of the country. That is a really big issue, and it is not adequately discussed in any of the notes—particularly the tax information and impact note. I think that should have been in there because the Government should be considering it.

It seems odd to have this arbitrary method that discriminates against suppliers with smaller labour costs in comparison with the supply cost, and people who have found such suppliers. It would be useful if the Minister explained the reasoning behind choosing this method for working out the costs, because I do not understand the logic behind it.

4.54 pm

Richard Benyon (Newbury) (Con): I have some sympathy with the Minister. As a Minister in 2010, I inherited a situation where the Government were being taken to the European Court and were going to be subject to substantial multimillion pound fines on an occasion when the British Government intended to have a stronger environmental ambition than the rest of the European Union. That continued to happen relentlessly throughout my three and a half years as a Minister, attending international forums where we were promoting ideas and ambitions that were greener and more environmentally friendly than those of the rest of our European partners.

I remember a conversation during the EU co-ordination meeting at a congress of the parties in Hyderabad, in which an appalling person from the European Union—a Brit, actually—threatened the British Government that if we continued to hold out for our high ambitions, which I think were on biodiversity targets, we would go against the principles of the Lisbon treaty and we would be subject to a fine. I have never had my pro-European tendencies tested more than when I was representing Britain in international forums and had to spend hours sitting in European co-ordination meetings, only to hear such a thing.

The Opposition spokesman, the hon. Member for Bootle, can have a bit of fun on these occasions, but because he is a sensible person he knows that if he were in Government he would not want to put the Government in the position of having to pay a huge infraction fine. My friend, the right hon. Member for Warley, knows too that the timetable of such things is not in the Government's gift. Very quickly we could find ourselves in a position, regardless of where we are in terms of our exit from the European Union, where we are at risk.

It is not something that any of us feels comfortable with. I and other Members are working hard on a proposal to the Government that may be of some assistance in trying to find a way forward, both while we are members of the European Union and soon after we have left.

John Spellar: May I help the right hon. Gentleman with his difficulty? The reason the European Commission behaves like that towards the British is because the British civil service rolls over to it. Were our civil service prepared to be as robust as the French are in response, there could be a much more realistic relationship. One could not imagine French Ministers in a similar position introducing a measure in this way, with this timescale.

Richard Benyon: I respect the way in which the right hon. Gentleman presents that argument, but I think he knows that that is a fallacy. Such things are frequently said, but I assure him that my civil servants were as robust as they could be, and I and my fellow Ministers were as robust as we could be. However, we came up against the legal bulwark of the Lisbon treaty, and there was nothing that we could do.

I wish to probe a couple of points. Some years ago, a similar situation arose regarding VAT on repairs to churches. The Government produced something called the listed places of worship grant scheme to offset that. Could the Minister suggest a grant scheme to offset the cost as part of a future Budget? If we leave the European Union at the end of October, it would be good to have some idea of the Government's ambitions post exit.

Secondly, under current HMRC guidelines, battery installs can attract the reduced 5% rate only if they are installed at the same time as new solar, unlike all the other technologies defined as energy saving by HMRC, which can be installed separately. However, the proposed HMRC change means that any combined solar and storage system is likely to be over the 60% material/install threshold and, therefore, will attract the full 20% VAT rate. I would like to ask the Minister about the option for HMRC to allow stand-alone battery installs to attract the 5% rate, opening up the battery retrofit market to around 1 million homes that already have solar.

The justification for defining batteries as energy-saving materials is that domestic PV customers in the UK typically self-consume just a quarter of energy generated, because solar generation tends to be in the daytime, whereas UK home power demands tend to be at night. The rest will be spilled on to the grid. If a customer buys a battery, their self-consumption proportion typically would increase to around 70%—a huge efficiency improvement to the overall system for the customer, with the added benefit of reduced energy bills. Would the Minister consider that as a way forward?

5.1 pm

Jesse Norman: I thank all colleagues who have spoken in the debate. Let me start in reverse order, with the issues raised by my right hon. Friend the Member for Newbury. He is absolutely right to highlight the extent to which this country has been in the vanguard of legislation and change to combat climate change and to improve our energy efficiency, often ahead of the EU—he is right to focus on that and I identify to a degree with his experiences. He is also right to suggest that it is quite wrong to imply that somehow our officials or lawyers are soft on these matters. When we send legal teams in to negotiate or fight battles, that is done at the highest level in the European Court of Justice and with the gloves off, as one might expect from any high-quality legal adviser or barrister. The same is true of policy officials. We have a rule-of-law society, possibly more developed than anywhere else in the EU. That is why, as a general matter, we take it upon ourselves to be compliant with EU law and in good time.

My right hon. Friend raised two interesting ideas. One was a grant scheme on the model of the churches scheme that he described; the other was whether batteries should somehow be accommodated by HMRC to create a new battery industry. Both are interesting ideas; they are tangential to the scope of this debate but I am happy to take them away and write to him with proper advice about whether we could do something in both areas. We will need to, and want to, comply with relevant EU law, but within that there would be some scope for discussion and I would be happy to take that up with him.

The hon. Member for Aberdeen North raised a series of more technical questions. First, I will ask my officials to make sure that the link to the tax information impact notes has been corrected. She asked about the impact on industry; if she has specific impacts in mind, she is welcome to write to me about her constituency or Scotland more generally and I will be happy to discuss that. In this case, the Government consulted twice: once on the policy and once on the statutory instrument. I assure the hon. Lady that officials meet the industry regularly and have shared aspects of the negotiation as they have gone forward, to bring that consent with them.

The hon. Lady closed by asking about the logic of the 60% figure, which is an improvement on the original EU suggestion. As I think she understands well, having read the explanatory memorandum and researched the matter, EU VAT law allows the reduced rate to apply to all installation costs except where the cost of the goods is significant. The question is: what does "significant" mean? The original suggestion was 50%; in negotiation, that was pushed up to 60%. That was a better outcome than was anticipated—certainly a better outcome than was anticipated by the other side. Our judgment has been that it strikes the right balance—certainly the right negotiable balance—between the twin concerns of complying with EU law and minimising any adverse impact on UK businesses.

It is important to note—certainly, the comments of the hon. Member for Bootle show that it is easy to forget—that we are talking about a very small change in terms of impact. Some 95% of installations are projected to be unaffected by this change, and its overall effect on the Exchequer is negligible—less than £5 million. As we have spent £30 billion supporting renewable energy over the last few years, one can see the magnitude of the contrast.

I come now to the comments of the hon. Member for Bootle. This is our first debate together, and I hope future debates are not characterised by the approach that he has taken today. There was a lot of bombast and windbaggery in his remarks, and I do not think it dignified him or the debate. Let me pick up some of his points. First, he tried to suggest there was great conflict in the position into which we have been forced not merely by EU regulation, but by a prolonged process of litigation and negotiation.

The hon. Gentleman contrasted our position with other aspects of Government policy over the past few years. Let me remind him that this is the only Government to announce that the country is exiting the coal industry entirely. There is the Renewable Transport Fuel Obligation Order 2007, the Energy Act 2013 and the "Road to Zero" transport strategy—a vast array of measures have been taken to comply with our international obligations and electrify the economy.

Wind power, particularly offshore wind—an area with which I was closely associated when I was a Minister at BEIS—has been a conspicuous success story precisely because we have taken the kind of energetic international action that characterised the forward position we have taken as a country, to which my right hon. Friend the Member for Newbury referred. Before the hon. Member for Bootle accuses the Government, he needs to tell us whether he would accept the EU Court judgment if he were part of a Labour Government, or whether he would propose allowing the situation to drag on and endure significant infraction costs.

Peter Dowd: The premise of my argument is quite simply that we are in this position because the Government failed to do proper negotiations and discussions. That is the whole of it. The Minister is now asking me to close the door after the horse has bolted, but it is his horse and his door.

Jesse Norman: I am absolutely not proposing that. Members will recall that the original infraction case has dragged on for many years. It is a problem that any Government would have faced. The hon. Gentleman is not prepared to say whether a Labour Government would accept the EU judgment or incur the infraction costs, which illustrates the hollowness and bombast of his position. We are in this position despite a very prolonged process of litigation and negotiation, and it is fatuous to suggest that he would somehow work more closely with the EU than the Government have done to agree proposals. He was not in the Court when the judgment was made, and he was not present at the negotiations. He has absolutely no reason to second-guess the intelligence, wisdom, advice or good intentions of the officials and legal advisers who were involved. We must treat what he says as essentially evidence free.

The hon. Gentleman refers to paragraph 37 of the European Court judgment. From what he read out, it appears to concern zero rates of VAT, which does not bear on the matter at all. This issue has been taken to the highest level in the EU judicial framework: the European Court of Justice itself. A better outcome has

been negotiated than was originally sought. The order will have a negligible impact because 95% of installations will not be affected. I therefore commend it to the Committee.

Question put.

The Committee divided: Ayes 9, Noes 7.

Division No. 1]

AYES

Afolami, Bim
Benyon, rh Richard
Evennett, rh Sir David
Merriman, Huw
Milling, Amanda
Moore, Damien
Norman, Jesse
Tomlinson, Michael
Tracey, Craig

NOES

Blackman, Kirsty
Dowd, Peter
Hepburn, Mr Stephen
Huq, Dr Rupa
Smith, Jeff
Spellar, rh John
Walker, Thelma

Question accordingly agreed to.

Resolved,

That the Committee has considered the Value Added Tax (Reduced Rate) (Energy-Saving Materials) Order 2019.

5.10 pm

Committee rose.