

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fourth Delegated Legislation Committee

FINANCIAL ASSISTANCE TO INDUSTRY

Monday 5 July 2021

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The Committee consisted of the following Members:

Chair: PETER DOWD

Ali, Rushanara (*Bethnal Green and Bow*) (Lab)

Begum, Apsana (*Poplar and Limehouse*) (Lab)

† Duguid, David (*Parliamentary Under-Secretary of State for Scotland*)

Fellows, Marion (*Motherwell and Wishaw*) (SNP)

Fletcher, Mark (*Bolsover*) (Con)

Freer, Mike (*Comptroller of Her Majesty's Household*)

† Furniss, Gill (*Sheffield, Brightside and Hillsborough*) (Lab)

Harris, Rebecca (*Lord Commissioner of Her Majesty's Treasury*)

Lewell-Buck, Mrs Emma (*South Shields*) (Lab)

† Malhotra, Seema (*Feltham and Heston*) (Lab/Co-op)

Mann, Scott (*Lord Commissioner of Her Majesty's Treasury*)

Pursglove, Tom (*Corby*) (Con)

† Rutley, David (*Lord Commissioner of Her Majesty's Treasury*)

Sambrook, Gary (*Birmingham, Northfield*) (Con)

Throup, Maggie (*Lord Commissioner of Her Majesty's Treasury*)

† Trevelyan, Anne-Marie (*Minister for Business, Energy and Clean Growth*)

Twigg, Derek (*Halton*) (Lab)

Kevin Maddison, *Committee Clerk*

† **attended the Committee**

Fourth Delegated Legislation Committee

Monday 5 July 2021

[PETER DOWD *in the Chair*]

Financial Assistance to Industry

6 pm

The Chair: Before we begin, I remind Members to observe social distancing and to sit only in places that are clearly marked. I also remind them that Mr Speaker has stated that masks should be worn in Committee. *Hansard* would be most grateful if Members sent their speaking notes by email to hansardnotes@parliament.uk.

We are debating for up to 90 minutes the content of the resolution that the House of Commons itself will be asked to pass without debate once the text of the resolution has been reported from this Committee.

The Minister for Business, Energy and Clean Growth (Anne-Marie Trevelyan): I beg to move,

That this House authorises the Secretary of State to undertake to pay, and to pay by way of financial assistance under section 8 of the Industrial Development Act 1982, grants to businesses to support the development of an electric vehicle supply chain in the UK, up to a limit of £388 million over four years.

The Prime Minister's 10-point plan sets out our ambition to accelerate the shift to zero-emission vehicles. That will play an important role in driving down carbon dioxide emissions for net zero and improving the air quality in our cities and towns.

The UK is home to a successful automotive sector, which has one of the highest productivity levels of the major European automotive-producing nations. Currently, 149,000 people are employed in automotive manufacturing, with an estimated 278,000 jobs supported by the sector in the wider economy. Those jobs are spread across the UK, mostly outside London and the south-east, with significant clusters of activity in the west midlands, the north-east and Wales.

Globally, the automotive sector is going through a once-in-a-lifetime transformation and significant investment will be required to support the shift to electric vehicles. The UK needs to establish supply chains to source critical components and to continue to develop the new technology to deliver the transition. Investing in such areas offers a huge opportunity for the creation of new highly skilled jobs as we build back better following the significant challenges that the pandemic has posed for the automotive industry. There is significant opportunity for the UK to capture a share of the investment needed to make that happen, building on existing strengths in automotive research, development and manufacturing, and on wider capabilities such as chemicals, materials processing and refining, and electronics.

Without the new investment, there is a real risk that the sector will fall into decline, causing irreversible loss of jobs and activity in our industrial heartland. To maintain and grow our automotive sector, our aim is to create an internationally competitive electric-vehicle supply

chain right here in the UK. Government have developed the automotive transformation fund, which supports both R&D and capital investment to focus on the commercialisation of strategically important technologies to enable production at scale. Securing investment in battery manufacturing and gigafactories is a priority, but the fund also targets investment in the upstream battery supply chain, motors, drives, power electronics and fuel cells.

The specific technologies and processes being targeted are based on extensive research into the vehicle value change, coupled with an analysis of UK strengths, capabilities and market trends. Demand for those key components is increasing rapidly as the transition to electric vehicles accelerates. Increasing production capacity will therefore help UK-based vehicle manufacturers to secure the supplies that they need. The ability to source from suppliers in the UK is also central to enabling UK businesses to meet the rules-of-origin requirements and to continue to benefit from tariff-free exports under the UK's free trade agreements with important export markets. That will safeguard existing jobs in the automotive supply chain and create new ones, helping our established incumbent businesses to transform and attracting new investors.

Securing such investment will take concerted effort in the face of global competition. That is why the Government and their delivery partner, the Advanced Propulsion Centre, engage proactively with potential investors through the automotive transformation fund. Engagement is backed by extensive research into the UK's competitive strengths and an understanding of key considerations for investors. The team also provides support and information on, for example, site availability, planning and energy supply; facilitates contact with other relevant stakeholders; and makes introductions to other businesses. We speak to vehicle manufacturers to better understand their requirements and which aspects of their supply chain they would most like to onshore. We use that information to inform our targeting and discussions with investors.

The automotive transformation fund is critical to our efforts to support the transformation of the automotive sector to a zero-emissions future. We are determined to ensure that the UK continues to be one of the most competitive locations in the world for automotive manufacturing. I commend the motion to the Committee.

6.5 pm

Seema Malhotra (Feltham and Heston) (Lab/Co-op): It is a pleasure to serve under your chairship, Mr Dowd. I thank the Minister for her opening remarks; I think it is very positive that two women are leading this debate. She gave a helpful and comprehensive introduction to the Government's proposals and intentions, and to the role of the Advanced Propulsion Centre in this important endeavour.

The motion authorises support for the development of an electric vehicle supply chain to be delivered through the automotive transformation fund. This is part of the significant transformation of the automotive sector that we need as it makes its transition to zero-emission vehicles. We understand that this programme will support late-stage capital and R&D investments in the UK in strategically important technologies. The Minister outlined

quite a lot of these, but it is important that this should cover a much wider area of technologies than batteries, including cells, battery management systems, electric machines, drives, integrated power, electronics, fuel cells and so on.

The Government's intent is a step in the right direction, but the Opposition feel that we should be more ambitious and match it with other necessary support. It is correct to be ambitious on the importance of phasing out petrol and diesel vehicles by 2030—indeed, we called on the Government to do that—but high ambition must be matched by support from Government, as well as support for consumers and workers to navigate this transition successfully.

Domestic battery production is absolutely key to securing the future of the industry, which is why Britishvolt's plans and Nissan's expansion and announcement of its gigafactory in Sunderland are very welcome. I pay tribute to local MPs, including my hon. Friends the Members for Washington and Sunderland West (Mrs Hodgson), for Sunderland Central (Julie Elliott) and for Houghton and Sunderland South (Bridget Phillipson), for the work they have done in support of Nissan. We certainly hope for further announcements from other companies.

Perhaps I should declare a small interest: I have been driving an electric vehicle for three years. We must do what we can when investing in electric vehicles to bring the price point down, to make electric vehicles more accessible more quickly for hundreds of thousands or millions more, so that it will start to be the transformation that we need. I pay tribute to the work of Hounslow Council and other councils across the country for putting more charging points on our streets, making shifting to electric vehicles a much more practical and realistic option for many busy families.

However, if we really want to win the race on EV production, the Opposition strongly believe that the Government need to step up far more actively. We are not the only ones. The Faraday Institution says the UK will need not only one or two but up to seven gigafactories by 2040. Professor David Greenwood, professor of advanced propulsion systems and chief executive officer of the Warwick Manufacturing Group's high-value manufacturing catapult at the University of Warwick, told the Environmental Audit Committee earlier this month that

“if the UK is able to secure the supply chain for its own battery supply, there are tens of billions of pounds worth of value per year to be generated in the UK.”

In its recent report, “Full Throttle: Driving Automotive Competitiveness”, the Society of Motor Manufacturers and Traders asks for the Government to have a target for the production of 60 GWh of battery supply within the UK, which it suggests will support capacity to produce up to 1 million electric vehicles domestically. This kind of thinking and forward capacity building is what we need to make, buy and sell more in and from the UK.

When we look at what Governments in Germany, France, China and the US are doing, we can see that the global race for gigafactories is well and truly on. Germany, Sweden, Poland and Hungary are also developing battery manufacturing capability. The German Government, for example, are providing €1 billion, while France is investing €700 million as part of a Franco-German project to establish European battery cell production.

The issue is particularly pressing for us in the UK because of the rules of origin that will be in place by 2027. We have heard surprisingly little, however, about the Government's vision of how we will become global leaders in the automotive manufacturing and industry of the future. Will the Minister take this opportunity to tell us how we will match up to our ambitions and catch up with other countries?

We welcome the Government's automotive transformation fund, Mr Dowd, but forgive us for being a little impatient and for calling on the Government to be willing to go further and faster. Some £500 million of funding for R&D and capital expenditure was allocated to the ATF over the next four years but the motion references £388 million for the capital funding allocation. Will the Minister clarify when the remaining expenditure will be brought forward? Will that be through another motion?

The £388 million to support battery manufacturing is a start, but I worry that it is not enough. That is why we have said that the Government should commit to helping to finance with further investment the creation of further additional gigafactories and their associated supply chains by 2025. That investment would signal the UK's commitment to the industry and demonstrate that the Government recognised the urgency of acting now.

Labour has also set out why, alongside that, we must make electric vehicle ownership affordable. We have called for interest-free loans for new and used electric vehicles for those on low to middle incomes, removing the upfront cost barrier and trialling a national scrappage scheme. We would also make it easier for people to drive an electric vehicle wherever they live, accelerating the important roll-out of charging points on streets and targeting areas currently left out, such as Yorkshire, the north-west and many parts of the west midlands. We need an electric vehicle revolution in every part of the country to boost the car manufacturing industry, create jobs and make only zero-emission vehicles the option for all. For that, we need a strong domestic battery supply chain to remain competitive, build our position as a leading electric vehicle producer and sell to the world. We cannot afford to be in the slow lane. If the batteries are not made here, the danger is that the cars will not be either. We need to back our ambition with the policies that will fulfil that ambition.

The Climate Change Committee tells us that for a smooth transition to 2030, 48% of new sales need to be electric by 2023. To reach that level, we come back to the point that electric vehicles must be affordable for lower income families. That is why the Government should not be cutting the plug-in grant. On supply chains, the intended investment from the fund in the development of electric vehicle supply chain in the UK is important. That development requires strategic interventions—something on which the Government do not have the best track record.

We saw the cost of Government inaction at the historic Orb steelworks in Newport East. Orb was the UK's only producer of high quality non-oriented electric steels—the steel used to build electric motors. But in 2020, it was mothballed and subsequently closed despite determined campaigning. The Government declined to support investment to keep the plant going, but it could have been an integral part of a new UK supply chain for electric vehicles. The Sindex consultancy has estimated

[Seema Malhotra]

that the decision to let the Orb close will cost the UK economy more than £1 billion over the next decade—pretty devastating, by all accounts. As a country, we cannot continue to make such huge strategic mistakes when it comes to our steel and manufacturing sectors.

Will the Minister also clarify the following final points? The 10-point plan, published last November, commits up to £1 billion to support the electrification of UK vehicles and their supply chains, but only £500 million is being announced in this Parliament. The industry is rightly asking when the next £500 million is planned, because there is a lead time for big investments and the ability to plan ahead to invest well. Will any of the support that has been announced be tied to companies' investment in skills and human capital, so that that growth is more sustainable as we upskill our workforce and create local jobs? What is the social return, in terms of skills and employment, on these grants expected to be? What expectation do the Government have about how SMEs will get access to some of this support through supply chains, including BAME-led and women-led businesses that are often excluded?

This is an important strategic agenda and a vital step in accelerating the shift to zero-emission vehicles that we need to see. The areas I have raised are in the interest of being constructive, because Labour wants to ensure that everyone in the country can benefit from the electric vehicle revolution, instead of baking in unfairness. While it is right that the Government have said that the sale of new petrol and diesel cars will end, they are wrong to impose a massive transition on our manufacturers from Whitehall without integrated and full support. It is also important to think about the vehicles that small businesses rely on, such as light vans and small vans, and how they will also make the transition.

We do not want our automotive sector to lose out in the race to be a world leader in the electric vehicle market. Labour would back our manufacturers and our communities with proud histories in the industry, but we must not let history write that the Government were asleep at the wheel. They need to do more, and we will not stop calling for that.

6.16 pm

Anne-Marie Trevelyan: May I thank the hon. Lady for her valuable contribution to the debate? On her last point, I completely agree on women-led businesses and how we make sure that we maximise all that latent potential. The green jobs taskforce, which has been running over

the last few months, is about to publish its recommendations, and an area that I have discussed with its members at some length is the fact that they are not maximising the use of all the human capital available to them in terms of women. I hope very much that they will be able to put forward suggestions on how they will look to expand their staffing groups to make sure that they do, because I think there is room for much improvement in many sectors. I look forward to reading the report shortly.

To answer the point the hon. Lady made, the Prime Minister set out his 10-point plan last year with the £1 billion investment for the automotive transformation fund, of which £500 million is so far in the system—if that is the right way to describe it—and will set out in due course how the second half of that committed fund will roll out. We are committed to the continued success of the UK automotive sector. We are the fifth largest European car producer and we have one of the highest productivity levels among major European automotive-producing nations.

Investment in the automotive sector was £7.2 billion in 2019, which is nearly 22% of UK manufacturing investment, and I was thrilled to see Nissan's commitment just last week to its move to electric vehicles and the work it is doing. It wants to stay because it knows—I speak as a north-east MP who is entirely biased—that its north-east workforce is fantastic, and the company would not in any way want to move away from that. On a personal level—I apologise—I was thrilled by that announcement, because many of my constituents work at Nissan, and this will expand not only that workforce and the vehicles they produce but the wider supply chain through the battery factory. It is very exciting news.

The automotive transformation fund will continue to be a really important programme to help us with the steadfast commitment that we have made to support the sector through its transition to electrification, and the intervention that we are discussing today will help to lay the foundations for that competitive and sustainable industry. We will continue to show our support as a Government to the automotive sector as it builds back better following the disruption caused by the covid pandemic last year, giving businesses the confidence to invest and innovate, creating skilled, well-paid gender-balanced—I hope—jobs across the country, and enabling our green industrial revolution to make progress at pace.

Question put and agreed to.

6.20 pm

Committee rose.

