PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

ENERGY BILL [*LORDS*]

First Sitting

Tuesday 23 May 2023

(Morning)

CONTENTS

Programme motion agreed to.
Written evidence (Reporting to the House) motion agreed to
Clauses 1 to 6 agreed to.
Clause 7 under consideration when the Committee adjourned till this day at Two o'clock.

No proofs can be supplied. Corrections that Members suggest for the final version of the report 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

Saturday 27 May 2023

The Committee consisted of the following Members:

Chairs: Dr Rupa Huq, † James Gray, Mr Virendra Sharma, Caroline Nokes

† Afolami, Bim *(Hitchin and Harpenden)* (Con)
† Blake, Olivia *(Sheffield, Hallam)* (Lab)
† Bowie, Andrew *(Parliamentary Under-Secretary of State for Energy Security and Net Zero)*
† Britcliffe, Sara *(Hyndburn)* (Con)
† Brown, Alan *(Kilmarnock and Loudoun)* (SNP)
† Clarkson, Chris *(Heywood and Middleton)* (Con)
† Fletcher, Katherine *(South Ribble)* (Con)
Gideon, Jo *(Stoke-on-Trent Central)* (Con)
† Jenkinson, Mark *(Workington)* (Con)
† Levy, Ian *(Blyth Valley)* (Con)
† McCarthy, Kerry *(Bristol East)* (Lab)
† Morrissey, Joy *(Beaconsfield)* (Con)
† Nichols, Charlotte *(Warrington North)* (Lab)
† Owatemi, Taiwo *(Coventry North West)* (Lab)
† Shelbrooke, Alec *(Elmet and Rothwell)* (Con)
Western, Andrew *(Stretford and Urmston)* (Lab)
† Whitehead, Dr Alan *(Southampton, Test)* (Lab)

Sarah Thatcher, Chris Watson, *Committee Clerks*

† attended the Committee

Public Bill Committee

Tuesday 23 May 2023

(Morning)

[James Gray *in the Chair*]

Energy Bill [*Lords*]

9.25 am

The Chair: I welcome the Committee to this first sitting of line-by-line consideration of the mighty Energy Bill. Even though most of the Committee will be experts in these matters, it might be helpful for me to run through a few parish notices first. Those of you who are not familiar with Bill Committees should let me know, but if I am teaching granny to suck eggs, forgive me.

The Bill is as you see it before you. If any member of the Committee, whether from the Government side or the Opposition, wishes to table amendments to it, they must do so by close of business—when the House rises—on the Thursday for formal consideration on the Tuesday, or by close of business on the Monday for formal consideration on the Thursday. If amendments are not laid by that time, they will not feature in our considerations until a later stage.

The amendments as laid are grouped together—by me in theory, although in fact by my learned friends the Clerks, with my approval—into convenient debates. Amendments that might be spread all over the Bill are brought together in one grouping to be considered by the Committee in a debate. However, decisions on individual amendments are taken at the appropriate stage in the Bill, when those amendments come up, so the vote is not taken at the time that the amendment is debated, but later on in consideration, when they come up in the Bill. Of those speaking on amendments, the first person whose name is at the top of the amendment speaks first; others may speak as they wish throughout the debate.

Just a small word: the standards of behaviour in Committee are precisely identical to those in the Chamber, in terms of dress, drinking coffee and all those other things. I am a bit of an old-fashioned stickler on such matters, so forgive me, but I warn you in advance that I tend to be on the conservative side on them.

We will consider first the programme motion, which stands in the Minister's name. It was discussed yesterday in the Programming Sub-Committee.

Ordered,

That—

1. the Committee shall (in addition to its first meeting at 9.25 am on Tuesday 23 May) meet—

(a) at 2.00 pm on Tuesday 23 May;
(b) at 11.30 am and 2.00 pm on Thursday 25 May;
(c) at 9.25 am and 2.00 pm on Tuesday 6 June;
(d) at 11.30 am and 2.00 pm on Thursday 8 June;
(e) at 9.25 am and 2.00 pm on Tuesday 13 June;
(f) at 11.30 am and 2.00 pm on Thursday 15 June;
(g) at 9.25 am and 2.00 pm on Tuesday 20 June;
(h) at 11.30 am and 2.00 pm on Thursday 22 June;
(i) at 9.25 am and 2.00 pm on Tuesday 27 June;
(j) at 11.30 am and 2.00 pm on Thursday 29 June;

2. the proceedings shall be taken in the following order: Clauses 1 to 16; Schedule 1; Clauses 17 to 21; Schedule 2; Clauses 22 to 32; Schedule 3; Clauses 33 to 52; Schedule 4; Clauses 53 and 54; Schedule 5; Clauses 55 to 98; Schedule 6; Clauses 99 to 132; Schedule 7; Clause 133; Schedule 8; Clauses 134 to 137; Schedule 9; Clauses 138 to 158; Schedule 10; Schedule 11; Clause 159; Schedule 12; Clause 160; Schedule 13; Clause 161; Schedule 14; Clauses 162 to 167; Schedule 15; Clauses 168 to 174; Schedule 16; Clauses 175 to 203; Schedule 17; Clauses 204 to 239; Schedule 18; Clauses 240 to 254; Schedule 19; Clauses 255 to 259; Schedule 20; Clauses 260 to 273; new Clauses; new Schedules; Clauses 274 to 279; remaining proceedings on the Bill;

3. the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Thursday 29 June.—*(Andrew Bowie.)*

The Chair: The Committee will therefore meet again this afternoon at 2 o'clock and twice every sitting Thursday and Tuesday until 29 June, unless we complete before then, which depends on the Committee. We now have to consider written evidence.

Resolved,

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—*(Andrew Bowie.)*

The Chair: Copies of written evidence received by the Committee will therefore be circulated to members by email and published on the Bill website.

We now proceed to line-by-line consideration of the Bill.

Clause 1

Principal objectives and general duties of Secretary of State and economic regulator

Dr Alan Whitehead (Southampton, Test) (Lab): I beg to move amendment 75, in clause 1, page 3, line 11, at end insert—

"or who seeks to be a party to arrangements for the use of sequestered and transported carbon dioxide".

This amendment seeks to refer specifically to the "use" of carbon dioxide, as well as arrangements for transport for the purpose of disposal.

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

Amendment 76, in clause 2, page 3, line 35, at end insert—

"(c) the use of sequestered and transported carbon dioxide."

This amendment seeks to provide an additional area of activity prohibited on an unlicensed basis.

Amendment 81, in clause 57, page 51, line 19, at end insert—

"(d) a carbon capture use revenue support contract."

This makes explicit the case of a contract for the use of carbon capture.

Dr Whitehead: It is a pleasure to serve once again under your chairmanship, Mr Gray. We have served in Committee together on a number of occasions, and I know that you will keep us closely to the subjects in hand as we go through the Bill, which I am sure will be a good thing for its progress.

Alec Shelbrooke (Elmet and Rothwell) (Con): I thank the hon. Gentleman for giving way. I want to make a personal point: may I ask him to speak up slightly? I am hard of hearing and I am already struggling to hear what he is saying. I thank him.

Dr Whitehead: I appreciate that point. A moment ago, I was just making a personal aside to the Chair. I will try to address the Committee in a more expansive manner.

This group of amendments would put the full definition of carbon capture, usage and storage into the Bill. As Members know, this Bill chapter is about various activities that go on with carbon capture, usage and storage, but unaccountably the detail in the Bill talks about only carbon capture and storage. We may think that is the definition of what we are talking about, but it is not just a process of sequestering the carbon that arises from, say, a power station or cement works. Various carbon capture and storage arrangements will have to be made for the sequestering of carbon dioxide in many uses, both industrial and energy-based, throughout the country.

Then, so the story goes, that carbon dioxide is transported, by either pipe or barge, and is sequestered at a suitable site. The Secretary of State for Energy Security and Net Zero waxed lyrical recently about just how much sequestering space there is around the UK waters. His view, which I think is absolutely correct, is that the sequestration of carbon dioxide as an industrial activity in the UK, with all the preparation that goes with it, is not just a necessary feature for the end of the carbon capture and storage process but something that the UK can offer to many countries around the world for their carbon sequestration, making a substantial plus-industry for the UK out of the process.

That is the end of the carbon dioxide story—how it goes from capture, either by chemical means or by extracting it from flue gases or whatever, to being put on its journey. In my long history of engagement on carbon capture and storage, I have always said that that is the case, but a number of years ago the Government added an important rider to that process in the definition that we use: CCUS, not CCS. CCUS is important because it is not just an uninterruptable process of carbon going into the transportation and sequestration arrangements, having been captured in the first place; there are points in the process whereby the carbon can be taken out of the transportation and sequestration process. Depending on the quality of the carbon dioxide that has been captured, it can be put to secondary use, before being captured again in the process, as it goes round again.

There are considerable opportunities in making the cycle go round twice, or several times, before the sequestration takes place. That is potentially an important part of getting best value out of the carbon capture and storage process. One of the first uses of the process that I came across was quite a while ago, when I paid a visit to one of the world's first operational carbon capture and storage plants at the Boundary dam in Saskatchewan. The energy company in Saskatchewan was capturing the carbon output from a fossil fuel energy plant and diverting the carbon that was being captured in the first instance to the process of repressurising wells in oil fields to enhance the recovery of oil. Of course, the carbon was then recaptured after that point but, importantly, that cycle had been broken and something else had happened.

That is just one use, but there are many other uses that we could think about putting carbon dioxide to. It can be used in the chemical industry in the production of methanol, in metalworking to harden the casing of moulds, or in the petroleum industry to optimise the yield of oil wells. It has a substantial use in healthcare and in horticulture. As we know from junior-school biology, plants can increase their size and output by having a carbon dioxide-rich atmosphere in which to grow, and there are substantial opportunities to use carbon dioxide under those circumstances.

Those are not significant interruptions, as it were, in the carbon-capture cycle. Indeed, the use of carbon under those circumstances is beginning—or will begin—to be programmed into the carbon capture and sequestration process. Of course, programming it in is important in terms of the arrangements being set out in the Bill for the circumstances under which licences can be granted.

We will hear a lot about licences in the passage of this Bill. As we know, certainly in the energy sphere, pretty much everything that can or cannot be done is licensed in one way or another, and there is a great deal of legislation for that purpose—for example, the Petroleum Act 1998 and the electricity and gas Acts, which set out the circumstances under which licences should be granted. Indeed, as we will see in the first part of the Bill, there is a restated imperative that people cannot carry out these things on an unlicensed basis; they really must have a licence at all stages of carbon capture—a licence to capture, a licence to transport and a licence to sequester.

The hole in the Bill is in what happens when the process is interrupted. I do not use the word "interrupted" in a derogatory sense; it is very positive that we can make the most use of carbon dioxide in its passage. Having invested a lot of money in capture, it is a good idea to try to recycle the process as much as we can, but for reasons I am not quite clear on—the Minister may be able to enlighten me—the wording of the Bill does not appear to account for that particular sphere of CCUS activity.

It may be that I have missed something and that the use of carbon should not be included in the licensing and licensable arrangements. The Government may be quite satisfied that the interruption of the process is perfectly okay to leave alone. I do not think that is the case because, as I have set out, it is part of the whole process. If we are to take carbon capture and storage seriously, we will want to know that carbon dioxide use, as part of the process, goes back into the cycle of capture and storage in the long term, and that carbon is not just captured but used for a particular purpose in the way I described. After that, it disappears back into the atmosphere, presumably to be captured again at a future date.

It is important that the licensing arrangement is complete as far as the passage of carbon is concerned. Amendments 75, 76 and 81 would add the use of carbon dioxide to the various clauses that relate to the overall process. The amendments would provide a definition of carbon capture use, and additional wording for the process of licensing and of use itself. We would not want to move the amendments separately; they are rightly marshalled together in today's proceedings. I move

[Dr Whitehead]

the amendments together, as they are grouped in the selection list, because, as I have said, they are essentially concerned with the question of use.

I am sure the Minister will provide us with a suitably inspired reply, so that we can be reassured either that this has all been thought about, and our amendments are therefore superfluous, or that there is a problem and, whether or not he accepts the amendments this morning, the process will be looked at to ensure that we have the full definition, and the full process is in hand as far as the passage of carbon capture and storage is concerned.

The Chair: Technically speaking, the Member has moved only amendment 75. The other two amendments will be decided on when we reach the relevant clauses. He cannot move all three together; he has moved amendment 75. I call Taiwo Owatemi.

Taiwo Owatemi (Coventry North West) (Lab) *indicated dissent.*

The Chair: Sorry. I thought you were waving your hand. If people could stand up and make it plain to me that they wish to speak, I will call them. If they wiggle an eyebrow, raise a hand or otherwise, I will not see them and therefore will not call them. I call Olivia Blake.

Olivia Blake (Sheffield, Hallam) (Lab): Thank you, Mr Gray. It is a pleasure to serve under your chairship and to follow my hon. Friend the Member for Southampton, Test. Having spoken to researchers at the University of Sheffield, and understanding that carbon capture and storage is more complicated than just the big carbon capture and storage programmes, I think his amendment is crucial. Modular and small carbon capture is really important, but where the captured CO_2 then goes is really important too. Having a CO_2 hub provider in this space is important for the circular economy of products, which, although not within the Bill's exact remit, is fundamental to reducing carbon in the environment.

9.45 am

That is the sense in which this part of the chain needs to be expanded in the Bill, so that use is fully considered and the use of new forms of CO_2 is reduced, and so that we get a circular economy. It is important that the Bill tackles that. I hope the Minister will outline why that has been missing so far and will be supportive of the shadow Minister's amendments, which I hope will plug a gap and eventually lead us to think about these issues from the perspective not just of energy but of products, which contribute hugely to the challenge we face in reducing CO_2 emissions. By enabling more circularity, the Bill would give us a better opportunity to join up things that are external to the energy sector, and also through carbon. I hope the Minister will accept that and address my points in his reply.

The Parliamentary Under-Secretary of State for Energy Security and Net Zero (Andrew Bowie): As ever, it is a pleasure to serve under your chairmanship, Mr Gray, and particularly for the first time as a Minister on a Public Bill Committee. I am sure you will keep me on the straight and narrow over the next few weeks. I look forward to working with you and members of the Committee as we scrutinise this landmark and, as you described it, mighty Energy Bill.

To begin, I want to remind Members of the purpose and background of the Bill. The Energy Bill will provide a clearer, more affordable and more secure energy system. It will liberate private investment in clean technology, reform our energy system so that it is fit for purpose, and ensure the safety, security and resilience of the energy system.

I turn first to amendments 75, 76 and 81, tabled by the hon. Members for Southampton, Test and for Bristol East. Amendment 75 seeks to expand the definition of a transport and storage network user in clause 1 to refer additionally to users who may seek to use carbon dioxide taken off a transport and storage network, not just those who are seeking to transport and store carbon dioxide for its permanent geological storage.

Although there are many uses for carbon dioxide across industrial sectors in the UK, including fertiliser production, cement, lime, and food and drink, as the hon. Member for Southampton, Test set out—indeed, there was little in what he said with which I found myself disagreeing—not all these applications result in the permanent abatement of carbon dioxide. For some of those products, the carbon dioxide is ultimately released back into the atmosphere.

The Government's aim in prioritising support for the deployment of carbon capture and storage in the UK is to incentivise large-scale, permanent abatement of carbon dioxide and the establishment of a transport and storage infrastructure, which is essential to achieve net zero emissions. Carbon capture and usage technologies resulting in the permanent abatement of carbon dioxide could represent only a small abatement potential as compared with carbon capture when the carbon dioxide is disposed of by geological storage. For those seeking to use captured carbon dioxide, alternative options are likely to be available, such as off-taking carbon dioxide directly from an emitter before it enters a transport and storage network. For those reasons, the Government do not consider the amendment to be necessary or appropriate.

Clause 2 establishes a prohibition on operating at a geological carbon dioxide storage site or providing a service of transportation of carbon dioxide by pipeline without a licence. Amendment 76 seeks to expand the scope of this licensing requirement to include licensing the use of carbon dioxide that has been captured and transported. The licensing requirement in clause 2 is intended to establish a regulated investment model for the transport and storage of carbon. This is a "user pays" economic regulation model that involves the network users—power and industrial emitters—paying for the transport and geological storage of the carbon dioxide that they produce. Licensed transport and storage companies will be able to recover their investment in the transport and storage network through the fees charged for transport and storage services. This model provides long-term revenue certainty for investors to pool through the invested needed to establish and scale up carbon dioxide transport and storage infrastructure here in the UK.

As pipeline, transport and storage assets have monopolistic characteristics, oversight by Ofgem, the independent economic regulator of carbon dioxide

transport and storage, will ensure that users are protected from anti-competitive behaviour and that costs are economic and efficient. A model of economic regulation for delivering carbon dioxide transport storage was identified as the preferred option following the Government's 2019 consultation on business models for carbon capture, usage and storage.

Alan Brown (Kilmarnock and Loudoun) (SNP): The Minister mentioned Ofgem. What discussions were had with Ofgem about its capability, expertise and resources to deal with what is going to be a whole new suite of competencies for Ofgem?

Andrew Bowie: Of course, none of this is without its challenges, and Ofgem recognises that. However, I have regular conversations with Ofgem and the Department is happy that it is indeed scaling up its capability, to enable it to deal with not only the new carbon capture utilisation and storage procedures that we are discussing but the whole range of areas in which Ofgem will have a role as we move towards a net zero future. Given the aims and purpose of the economic licensing framework that clause 2 establishes, I hope that the hon. Member for Southampton, Test will agree to withdraw his amendment.

Amendment 81 seeks explicitly to include within the scope of the term "revenue support contract" a contract for the use of carbon capture. We understand that to mean a contract to support carbon capture and usage. The carbon capture revenue support contracts are intended to support the deployment of carbon capture technologies. The Bill allows for carbon capture revenue support contracts to be entered into with eligible carbon capture entities. Broadly, a carbon capture entity is a person who, with a view to the storage of carbon dioxide, carries on activities of capturing carbon dioxide that has been produced by commercial or industrial activities, is in the atmosphere or has dissolved in seawater.

Storage of carbon dioxide is storage with a view to the permanent containment of carbon dioxide. It is important to emphasise that provisions in the Bill may therefore allow for a broad range of carbon capture applications, including those carbon capture entities that utilise the carbon dioxide, resulting in the storage of carbon dioxide with a view to its permanent containment. Decisions on which carbon capture entities will receive Government support are to be made on a case-by-case basis. Prioritising support for carbon storage is considered essential to help deliver our decarbonisation targets.

Alec Shelbrooke: Will my hon. Friend describe the actual mechanisms of the carbon dioxide storage, geologically? How will that be done—for instance, will that be out into the North sea, using old oil platforms?

The Chair: Within the context of this amendment?

Alec Shelbrooke: In the context of carbon dioxide storage.

Andrew Bowie: I thank my right hon. Friend for his intervention. I would be happy to give a thorough explanation of exactly how the carbon capture and storage will proceed; I am sure we will get to that in the course of our debate on the Bill, and in other places. However, I am not sure where that would fit within the context of this debate, other than to say that the technology being developed by companies, organisations and clusters around the UK is world leading. When it comes to being able to store in the future the carbon dioxide being produced in the UK now, the North Sea is of course the greatest asset that we have as a country. The oil and gas industry will be able to play a pivotal role in that development as we move forward.

Given the reasoning I have set out, I hope that the amendment tabled by the hon. Member for Southampton, Test will be withdrawn.

Dr Whitehead: I appreciate what the Minister has said this morning. Frankly, though, I am not wholly convinced that the processes have been fully accounted for. I emphasised the various uses of carbon dioxide. The Minister is right that not all those uses lead to eventual sequestration. However, most of the uses that do not lead to additional sequestration do, on occasions, sequester the carbon dioxide in the process itself.

For example, carbon dioxide used in horticulture is substantially sequestered during the process of growing the plants. There is potentially an important use of carbon dioxide in processing hydrogen and in producing sustainable aviation fuel. Those processes sort of sequester the carbon in producing a different product, which is itself then burned. We then have to sequester the whole lot again, but the product has been used in the meantime.

It is important to concentrate on aligning the processes within carbon dioxide use as closely as possible with the process of sequestration, not simply allowing the carbon dioxide to escape. One thing that concerns me is the use of carbon dioxide in the process of the enhanced recovery of oil, because unless that carbon dioxide can be sequestered at the point it is injected into a well, although it produces greater amounts of oil it leaks into the atmosphere again, so we have a net negative outcome. We have produced more oil, but arguably it should have been left where it was in many instances.

Alec Shelbrooke: That leads to the question that I asked the Minister. The issues that the hon. Member for Southampton, Test is raising show that there is a research and development need for sequestration in, for instance, licensing oil and gas. That will need a large investment, so does he agree that it is important that the oil and gas industry uses some of its large profits to ensure that it can do the R&D available to sequester carbon dioxide, and does that call into question the idea of scrapping the return on profits—often criticised by the Opposition—because we need R&D to achieve this?

The Chair: Order. That is beyond the scope of the amendment.

Dr Whitehead: Thank you, Mr Gray. Well, I—

The Chair: Don't be tempted.

Dr Whitehead: All right, I won't be.

The key point that I am trying to add to this morning's debate is that a number of systems could be greatly enhanced in their operation by, for example, having a much greater supply of carbon dioxide available to them than is the case at the moment. The Minister may remember that we had a mini-crisis a little while ago: one of the factories that was producing industrial-use

[Dr Whitehead]

carbon dioxide closed down and we were left in the UK with one factory producing carbon dioxide. There was then a considerable run on it, which meant that, going to the heart of our civilisation, carbonating fizzy drinks was potentially under threat.

Having much greater availability through the carbon capture and storage process of carbon dioxide that could be used in industrial processes could be very good for industry, and indeed for the security of the processes that we continue to need carbon dioxide for. At the same time, that process needs some supervision to ensure that we are not undoing what we have started to do in carbon capture by making the product more widely available. Although I do not intend to push the amendment to a vote, I hope that the Minister will take onboard the idea that this is a substantial area, which we need to pay close attention to. We need to regulate it so that it points in the same direction as the carbon capture and storage process and so that the whole system is not undone by what is available.

10 am

Katherine Fletcher (South Ribble) (Con): I am listening carefully to the hon. Gentleman. If I understand our historical regulatory regime, it was about prevention from harm—we would regulate cyanide, but not necessarily CO_2. Does the hon. Gentleman have the right balance? Net zero is a systemic challenge; if we seek to regulate every single individual piece of it, we risk clogging the system with regulation.

What I see is a Government trying to make sure that carbon capture and storage has not turned into some fool's errand, with some Shylock allowing carbon to come out of the other side of the mine. We are finding the right balance and not over-regulating an industry—

The Chair: Order. Interventions must be brief; Members should not ramble on for half an hour. I call Alan Whitehead.

Dr Whitehead: The hon. Member is right that we should not seek to regulate everything out of existence. As she says, provided that the basic position is in place many industrial and commercial processes do not actually do harm, and there are all sorts of ways of making sure of that; then we can leave them alone.

My only point is not about separately regulating something that has otherwise been completely unregulated, but that this is an overall process and we need to make sure that, overall, the processes all point in the same direction. That is, one way or another, that we produce less carbon dioxide, allow less carbon dioxide to escape into the atmosphere and do what we can to use sequestered carbon dioxide in the best way. Normally, that means transporting it, for which we need regulations to make sure that there are no leakages, for example.

At the moment, we are considering a number of different options when it comes to the transportation of carbon dioxide. As the hon. Member for South Ribble will know, that does not just consist of trying to put down pipelines to deliver the carbon dioxide to the port of exit before it is put into the storage site. Obviously, sites themselves need proper regulation so that they are safe for the purposes of storage.

Earlier, the right hon. Member for Elmet and Rothwell questioned the process of storage. It is vital that the storage itself is suitable. We know, from what we have to rely on, that the storage is likely to be sound—that means, frankly, that once we have put the stuff underground it stays there and does not leak out subsequently. That is quite a science in its own right. A great deal of the time spent looking at storage sites is about being absolutely sure that the site is as we thought it was in order to avoid disaster once we have committed ourselves to storage on the site. Given the different kinds of storage site, considerable work is under way, all of which needs to be regulated properly.

We have to consider alternative forms of storage—saline aquifers, for example. It is not just a question of storing carbon dioxide in depleted oil or gas fields; a number of other geological formations appear to be suitable for the purpose. Whether those alternative formations can be used for storage onshore as well as offshore is a particular concern. People may raise the issue of carbon dioxide leaking out onshore—as well as offshore, potentially.

Throughout, there is a need to regulate how the process works. With respect to the hon. Member for South Ribble, I do not think that it is over-prescriptive to say that we need some regulation of the use of carbon dioxide—after all, in theory at least, using the carbon for the best purpose is an essential part of the process—hence the amendments that we have tabled, which I hope are constructive.

Olivia Blake: There are two points to this, are there not? There is a set amount of carbon at the moment, which is increasing annually. Usage allows us to reduce that—instead of new forms of carbon going into the atmosphere, we would reuse what we have. That is why the amendment is key. I hope that the Government take it away to look at again. It is also basic chemistry that if we are putting CO_2 into a chemical reaction, we will not get CO_2 coming out the other end until the product degrades, so it is a falsehood that it will all immediately leak—

The Chair: Order. Interventions must be brief.

Olivia Blake: Sorry, Mr Gray. There are two points there that I think the Minister has not considered fully.

The Chair: Dr Whitehead, perhaps you will be brief. We have already given this group quite a long debate.

Dr Whitehead: Thank you, Mr Gray. My hon. Friend makes an important point about the distinction between what we do now with carbon dioxide and what we might do with it in future. At present—I mentioned a carbon dioxide factory that closed down—we are actually purposely making carbon dioxide in other processes, where it was previously sequestered among the molecules or whatever of the raw material. In future, we will take the carbon dioxide that we have captured in a different form to replace the manufactured carbon dioxide. It is important to understand the difference and to have a positive effect on the arrangements for carbon dioxide used for industrial purposes by substituting the creation of carbon dioxide with the use of carbon dioxide already going through the system.

I agree, Mr Gray, that we have had a good debate. We do not wish to press the amendment to a Division, but I am sure that although the Minister has not exactly been taking copious notes, he will be assured of the purpose of the amendment and can consider whether anything further needs to be done to ensure that such processes are integral to the system as a whole. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Question proposed, That the clause stand part of the Bill.

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

New clause 33—*Purposes*—

"(1) The principal purpose of this Act is to increase the resilience and reliability of energy systems across the UK, support the delivery of the UK's climate change commitments and reform the UK's energy system while minimising costs to consumers and protecting them from unfair pricing.

(2) In performing functions under this Act, the relevant persons and bodies shall have regard to—

(a) the principal purpose set out in subsection (1);

(b) the Secretary of State's duties under sections 1 and 4(1)(b) of the Climate Change Act 2008 (carbon targets and budgets) and international obligations contained within Article 2 of the Paris Agreement under the United Nations Framework Convention on Climate Change;

(c) the desirability of reducing costs to consumers and alleviating fuel poverty; and

(d) the desirability of securing a diverse and viable long-term energy supply.

(3) In this section "the relevant persons and bodies" means—

(a) the Secretary of State;

(b) any public authority."

This new clause and NC34, NC35 and NC36 are intended as a suite of purpose and strategy clauses for this Bill.

New clause 34—*Strategy and policy statement*—

"(1) The Secretary of State may designate a statement as the strategy and policy statement for the purposes of this Act.

(2) The strategy and policy statement is a statement prepared by the Secretary of State that sets out—

(a) the strategic priorities, and other main considerations, of His Majesty's Government in formulating its energy policy for Great Britain ("strategic priorities");

(b) the particular outcomes to be achieved as a result of the implementation of that policy ("policy outcomes"); and

(c) the roles and responsibilities of persons (whether the Secretary of State, a relevant public authority or other persons) who are involved in implementing that policy or who have other functions that are affected by it.

(3) The strategy and policy statement must have regard to the considerations listed in subsection (2) of section [*Purposes*].

(4) The Secretary of State must publish the strategy and policy statement in such manner as the Secretary of State considers appropriate.

(5) For the purposes of this section, energy policy "for Great Britain" includes such policy for—

(a) the territorial sea adjacent to Great Britain, and

(b) areas designated under section 1(7) of the Continental Shelf Act 1964.

(6) A relevant public authority must have regard to the strategic priorities set out in the strategy and policy statement when carrying out regulatory functions.

(7) The Secretary of State and a relevant public authority must carry out their respective regulatory functions in the manner which the Secretary of State or the relevant public authority (as the case may be) considers is best calculated to further the delivery of the policy outcomes.

(8) A relevant public authority must give notice to the Secretary of State if at any time the relevant public authority concludes that a policy outcome contained in the strategy and policy statement is not realistically achievable.

(9) A notice under subsection (8) must include—

(a) the grounds on which the conclusion was reached; and

(b) what (if anything) the relevant public authority is doing, or proposes to do, for the purpose of furthering the delivery of the outcome so far as reasonably practicable."

This new clause and NC33, NC35 and NC36 are intended as a suite of purpose and strategy clauses for this Bill.

New clause 35—*Strategy and policy statement review*—

"(1) The Secretary of State must review the strategy and policy statement if a period of 5 years has elapsed since the relevant time.

(2) The "relevant time", in relation to the strategy and policy statement, means—

(a) the time when the statement was first designated under section [*Strategy and policy statement*], or

(b) if later, the time when a review of the statement under this section last took place.

(3) A review under subsection (1) must take place as soon as reasonably practicable after the end of the 5 year period.

(4) The Secretary of State may review the strategy and policy statement at any other time if—

(a) a Parliamentary general election has taken place since the relevant time;

(b) a relevant public authority has given notice to the Secretary of State under subsection (8) of section [*Strategy and policy statement*] since the relevant time;

(c) a significant change in the energy policy of His Majesty's Government has occurred since the relevant time; or

(d) the Parliamentary approval requirement in relation to an amended statement was not met on the last review (see subsection (12)).

(5) The Secretary of State may determine that a significant change in His Majesty's Government's energy policy has occurred for the purposes of subsection (4)(c) only if—

(a) the change was not anticipated at the relevant time, and

(b) if the change had been so anticipated, it appears to the Secretary of State likely that the statement would have been different in a material way.

(6) On a review under this section the Secretary of State may—

(a) amend the statement (including by replacing the whole or part of the statement with new content),

(b) leave the statement as it is, or

(c) withdraw the statement's designation as the strategy and policy statement.

(7) The amendment of a statement under subsection (6)(a) has effect only if the Secretary of State designates the amended statement as the strategy and policy statement under section [*Strategy and policy statement*].

(8) For the purposes of this section, corrections of clerical or typographical errors are not to be treated as amendments made to the statement.

(9) The designation of a statement as the strategy and policy statement ceases to have effect upon a subsequent designation of an amended statement as the strategy and policy statement in accordance with subsection (7).

(10) The Secretary of State must consult the following persons before proceeding under subsection (6)(b) or (c)—

(a) a relevant public authority,

(b) the Scottish Ministers,

(c) the Welsh Ministers, and

(d) such other persons as the Secretary of State considers appropriate.

(11) For the purposes of subsection (2)(b), a review of a statement takes place—

(a) in the case of a decision on the review to amend the statement under subsection (6)(a)—

(i) at the time when the amended statement is designated as the strategy and policy statement under the previous section, or

(ii) if the amended statement is not so designated, at the time when the amended statement was laid before Parliament for approval under subsection (7) of the next section;

(b) in the case of a decision on the review to leave the statement as it is under subsection (6)(b), at the time when that decision is taken.

(12) For the purposes of subsection (4)(d), the Parliamentary approval requirement in relation to an amended statement was not met on the last review if—

(a) on the last review of the strategy and policy statement to be held under this section, an amended statement was laid before Parliament for approval under subsection (7) of section [*Strategy and policy statement: procedural requirements*], but

(b) the amended statement was not designated because such approval was not given."

This new clause and NC33, NC34 and NC36 are intended as a suite of purpose and strategy clauses for this Bill.

New clause 36—*Strategy and policy statement: procedural requirements—*

"(1) This section sets out the requirements that must be satisfied in relation to a statement before the Secretary of State may designate it as the strategy and policy statement.

(2) In this section references to a statement include references to a statement as amended following a review under subsection (6)(a) of section [*Strategy and policy statement review*].

(3) The Secretary of State must first—

(a) prepare a draft of the statement, and

(b) issue the draft to the required consultees for the purpose of consulting them about it.

(4) The "required consultees" are—

(a) the relevant public authority,

(b) the Scottish Ministers, and

(c) the Welsh Ministers.

(5) The Secretary of State must then—

(a) make such revisions to the draft as the Secretary of State considers appropriate as a result of responses to the consultation under subsection (3)(b), and

(b) issue the revised draft for the purposes of further consultation about it to the required consultees and to such other persons as the Secretary of State considers appropriate.

(6) The Secretary of State must then—

(a) make any further revisions to the draft that the Secretary of State considers appropriate as a result of responses to the consultation under subsection (5)(b), and

(b) prepare a report summarising those responses and the changes (if any) that the Secretary of State has made to the draft as a result.

(7) The Secretary of State must lay before Parliament—

(a) the statement as revised under subsection (6)(a), and

(b) the report prepared under subsection (6)(b).

(8) The statement as laid under subsection (7)(a) must have been approved by a resolution of each House of Parliament before the Secretary of State may designate it as the strategy and policy statement.

(9) The requirement under subsection (3)(a) to prepare a draft of a statement may be satisfied by preparation carried out before, as well as preparation carried out after, the passing of this Act."

This new clause and NC33, NC34 and NC35 are intended as a suite of purpose and strategy clauses for this Bill.

Andrew Bowie: New clauses 33 to 36 would insert provisions for the review of the strategy and policy statement, and procedure requirements for the designation of such a statement.

The Bill already contains a number of measures to deliver a cleaner, more affordable and more secure energy system for the long term, as set out by the long title, so there seems to be little to be gained from the proposed new clause 33. The Government's approach to these matters will be informed by the strategy and policy statement provided for under the Energy Act 2013, on which we are currently consulting.

I turn to new clauses 34, 35 and 36. The 2013 Act introduced a power to designate a strategy and policy statement setting out the Government's strategic priorities for energy policy in Great Britain, the roles and responsibilities of those implementing such a policy and the policy outcomes to be achieved. The strategic priorities of the Government's energy policy are to be taken as a whole. They include, but are not limited to, our targets under the Climate Change Act 2008, reducing costs for consumers, tackling fuel poverty, and securing a diverse and viable long-term energy supply. The strategy and policy statement power in the 2013 Act is not specific to the measures contained in any specific Act. The power is wider, and it enables the strategy and policy statement to cover any or all of the Government's strategic energy priorities, wherever they are set out.

On 10 May 2023, the Government published their consultation on a draft strategy and policy statement for energy policy in Great Britain. We are seeking responses until 2 August, and we intend to designate a final strategy and policy statement by the end of this year. Designation of a strategy and policy statement will ultimately be a decision for Parliament, not for the Secretary of State. I hope that hon. Members are satisfied by those reassurances.

Alan Brown: Will that be a wider strategy and policy statement that goes to Ofgem? An overarching energy policy has long been outstanding.

Andrew Bowie: I believe that that was made clear. As I said earlier, we are working with Ofgem to ensure that it has the capabilities to deal with all of this. In terms of a national policy statement for Ofgem moving forwards, there will be a series of announcements over the next few months and, indeed, the year that will enable Ofgem and the future service operator to get into a position where they are able to deal with what we introduce through the Bill and other statements.

Clause 1 establishes Ofgem as the economic regulator for carbon dioxide transport and storage. It also establishes the principal objectives and statutory duties for both the Secretary of State and Ofgem in carrying out their functions under part 1 of the Bill. Transport and storage networks will act as the enabling infrastructure

for carbon capture and storage from a range of sources, including power plants, industrial facilities, low-carbon hydrogen production and, potentially, direct air capture.

The economic regulation model provides long-term revenue certainty for network operators while protecting network users from monopolistic behaviours, as has already been described. The Government consider that Ofgem is the most appropriate body to act as the economic regulator for carbon dioxide transport and storage, due to its experience and expertise in the economic regulation of the overall energy sector. The selection of Ofgem as the regulator has received broad support from the industry. The principal objectives set out in clause 1 reflect the balance of considerations for a nascent carbon dioxide transport and storage sector.

Dr Whitehead: Clause 1 concerns the appointment of Ofgem as a regulator for these activities—in particular, carbon capture and storage. The new clauses that we have tabled seek to gather together what is in the Bill and provide it with a purpose clause, and to suggest to the Secretary of State that the Bill's contents might be encapsulated, for future direction and use, in a strategy and purpose document.

10.15 am

Two of the new clauses deal with the activities that should be undertaken subsequent to a strategy and purpose statement being issued by the Government. In particular, there is a need to review such a statement on a regular basis, given that circumstances may change over a five-year period; for example, following the election, the Government of the day may have a slightly different interpretation of the strategy and purpose of the Act. Basically, the new clauses contain a series of provisions to make the strategy and purpose statement usable over a long period, for the purpose of encapsulating what is in the Bill.

The Chair: Order. Let me interrupt the hon. Gentleman. New clauses would normally be discussed towards the end of the Committee's debates. We took the view that, because these new clauses deal with strategy and purpose, they might by that time be out of order. We therefore thought it reasonable to allow His Majesty's loyal Opposition to have a full debate on them now, rather than towards the end of our consideration, as would happen normally.

Dr Whitehead: Indeed, Mr Gray; thank you for reminding the Committee of that. I am grateful to you and to the Clerks for your careful consideration of how we should proceed with these new clauses. As you say, the normal procedure—indeed, I have taken part in a number of Bill Committees where this has happened—is that new clauses are put at the end of the selection list. I can see that a number of new clauses have been selected for debate right at the end of our consideration of the Bill. By the way, I am slightly less pleased to see that the changes to the Bill that were wrought in the other place have been placed, by and large, in a new section at the end. I assume that those will be debated—

The Chair: Which we will discuss when we get to them.

Dr Whitehead: Indeed. They will be debated at the same time, at the end of our consideration of the Bill.

As you rightly say, Mr Gray, new clauses 33 to 36 may have be surplus to our discussions, should we have debated them at the end of proceedings rather than at the beginning. I am pleased that we are able to debate them now, given that they are concerned with our discussions on the early part of the Bill.

As has been widely trailed, the Bill is one of the most extensive that has come before this House, certainly in the energy sphere, and is probably one of the most extensive and substantial Bills in recent history. It seeks to do an enormous number of things. Although we do not think it does enough, by and large the things that it does are all necessary for the passage of our energy economy from a high-carbon to a low-carbon basis, with all the things that go with that, which we will discuss later in the Bill, such as carbon capture and storage, hydrogen, new forms of management of grid systems—all the things that point in a green, low-carbon direction. It is essential to put them into legislation by means of what I would describe as the green plumbing of the system. A great deal of the Bill is not about high-flown rhetoric on why we should decarbonise our structures, but about getting down to the real business of doing it as quickly as possible.

I think we can agree that the Bill lists a disparate series of things that are fit for our discussion and ready to go. Indeed, in a famous recent TikTok video, the Secretary of State stood against a wall with individual pages of the Bill stuck on it and said that it is the largest Bill on energy in history. I tweeted a response to the effect that the Government have been really good at getting the largest bills in history into the laps of customers—that was a bit of levity in response to the Secretary of State's more serious point. The Bill is extensive, for deliberate purposes, which all point in the same direction.

There is perhaps cause for a little concern. When Bills seek to do such extensive plumbing work, it is easy to lose sight of what that plumbing is actually about. We need to be clear that we do not have a series of actions that might or might not be taken in respect of the various subject headings in the Bill; they are all actions that have to be taken in pursuit of what should be the overall purpose of the Bill, which is to secure us a low-carbon future. The Conservatives and Labour agree that those actions are not in dispute; they are essential for the purposes that we think are important for the future of our low-carbon economy.

The idea of a purpose clause is not something dreamt up by the Opposition as an interesting diversion during the early stages of discussing the Bill. A number of pieces of legislation have purpose clauses; they have fallen out of fashion in more recently, but if one looks back over a reasonable period, one sees that many Acts have such sections at the beginning. They recapitulate what comes after and put it in context, so that people who have not been subjected to our detailed discussions in Committee can say, "That is what this Act is about. There are provisions in the Act that point in this direction, and I should look at and respond to the Act in the light of that overall purpose." That is a good and important thing.

Purpose clauses are not just nice things to have at the front of a Bill. They are quite useful for those who seek to interpret an Act at a later date—lawyers and the like.

[Dr Whitehead]

They may have opinions about what a particular part of the Act does, but they will be guided by the purpose clause at the front of the Act. For the Ministers who implement the terms of an Act, it is useful to have a clear statement of what Parliament thought we were doing when we put the Act on the statute book and of the framework in which the rest of the Act should be read.

The purpose clause that we have tabled, new clause 33, states:

"The principal purpose of this Act is to increase the resilience and reliability of energy systems across the UK, support the delivery of the UK's climate change commitments and reform the UK's energy system while minimising costs to consumers and protecting them from unfair pricing."

That is a good summation of the Bill's purpose. Members may want to add or subtract bits, but it is reasonable summation of where we are and where we want to go. Subsection (2) seeks to ground the Bill in other important legislation and states:

"In performing functions under this Act, the relevant persons and bodies"—

that is, people who are interpreting the Act's principal purpose—"shall have regard to" certain matters, including, most importantly,

"the Secretary of State's duties under sections 1 and 4(1)(b) of the Climate Change Act 2008…and international obligations contained within Article 2 of the Paris Agreement under the United Nations Framework Convention on Climate Change."

The new clause therefore grounds the Bill firmly in the historic Climate Change Act 2008, sections 1 and 4(1)(b) of which provide for the target in the reduction of carbon dioxide and greenhouse gas emissions that the Secretary of State is supposed to ensure that we achieve by 2050. What will happen to whoever is the Secretary of State in 2050 if they are unable to deliver that target is debateable, but I think we can agree that the Act has really stood the test of time.

10.30 am

The 2008 Act has been widely copied around the world in terms of how it points us firmly in the right direction in the work we have to do to combat anthropogenic global warming so it does not pass the point at which global warming makes life difficult on this planet, and to manage our environment at the same time as managing our industrial and commercial processes. There is a great deal in the Bill on industrial and commercial activities, and the idea that climate change action is about not just closing everything down but moving to processes that tread lightly on the surface of the Earth and provide us with a world that is liveable and sustainable, and a pretty pleasant environment in which to live.

The new clause grounds the Bill firmly in the Climate Change Act and all that goes with it, and then addresses more immediate points. Subsection (2)(c) refers to

"the desirability of reducing costs to consumers and alleviating fuel poverty".

We are not supposed, under the Bill, to just do things at any cost to anybody; we have to pay proper regard to consumer costs and how people live with their energy problems. That is very current, given the present unaffordability of energy bills for many people. The Bill, in addition to seeking longer term changes in how we go about our industrial and commercial processes, should remind us that it is all about creating a better life for our population and consumers, who must be given proper regard when we legislate.

The final thing that the new clause will require the relevant persons and bodies to have regard to is

"the desirability of securing a diverse and viable long-term energy supply."

That runs through the Bill like a thread, but is not gathered together in one place. We should not be dependent on a one-club approach to decarbonisation or put all our eggs in one basket, not only because energy security requires us to ensure that we have a diverse supply, so that if one area is not as good as it might be another can be brought into play, but because we should recognise that in the circumstances of what will have to be rapid decarbonisation we must think carefully about how we deploy all those different energy sources. We have to think about what we can get out of them in terms of carbon dioxide reduction, the energy security of these islands and the extent to which we can ensure that the energy decarbonisation process is secure. We must not put ourselves in other people's hands through the process of decarbonisation; our energy sources must be secure. Indeed, many of the processes that will be put in place by the legislation add, or should add, to the sense of energy security in decarbonisation rather than detract from it.

The new clause is a purpose clause—a clause with purpose. The aim is not just to state a general purpose to the legislation to gather together what it is about. It is to ensure that the Secretary of State pays proper regard to what has gone before and the considerations that need to be taken into account where customers and energy security are concerned. Although not extensive, this is a comprehensive purpose clause that gathers together what the Bill is about. Believe me, having looked at purpose clauses in other legislation, I can tell the Committee that they go on for page after page. This one is quite succinct.

Grouped with the purpose clause are new clauses that expand the actions that need to be taken following the passing of the Bill to make the purpose clause real. They deal with, in particular, the strategy and policy statements for the purposes of the legislation. New clause 34(1) states:

"The Secretary of State may designate a statement as the strategy and policy statement for the purposes of this Act."

The Minister says the Government are already consulting on a strategy and purpose statement. In respect of the Energy Act 2013, the strategy and purpose statement has an interesting history. The proposal to have a strategy and purpose statement under part 5 of that Act was specifically about the idea that Ofgem should be given a low-carbon imperative in its brief. We will discuss that during later consideration of the Bill, but it is clear in the 2013 Act what the strategy and purpose statement was supposed to be about, what its limitations were and what was supposed to be done.

One of the problems with that strategy and purpose statement was that it was written into the legislation as actionable by order of the Minister. That is, the Minister decided whether the strategy and purpose statement provision would be turned on once the Bill had been passed, and—well, I never—what happened subsequent to the 2013 passing is that the Government did not turn

on that provision at any stage. That is why we are discussing a possible strategy and purpose clause arising from the Energy Act 2013. Ten years after that Act was passed, that section of the Act has still not been turned on.

It is good to hear that the Government are now—10 years later—consulting about whether to turn that section on, but it is not fair to say that the idea of a strategy and purpose statement for the purposes of the Bill has been covered by the Government seeking to consult about a strategy and purpose clause written in an Act 10 years ago for an entirely different purpose. It just does not match what we are trying to do with the provision today. As I have said, it should and will be the strategy and policy statement that encompasses what the Bill is trying to do, and all that goes into purpose clause—new clause 33—that we have tabled.

The Minister will be pleased to know that there is not within the clause a provision that allows the Minister to turn on or not the strategy policy statement subsequent to the first clause being agreed. New clause 34 actually states that:

"The Secretary of State may designate a statement".

I am concerned about the words "may" and "must" in legislation, but I am assured by those who know more about it than I do that the word "may" in legislation contains only a small element of choice. For the Minister, it is a pretty strong direction that a strategy and policy statement will be made

"for the purposes of this Act.".

I do not think we need to detain ourselves with the material that is in the other provisions we are considering. Members may read them at their leisure. They concern the period over which the strategy and policy statement is tenable for, assuming it is made, the provisions for review of that strategy policy statement, what notice needs to be given at the review, how those reviews need to be consulted on and how the review then takes its place subsequently in the passage of the Bill. We hope it survives as well as the Climate Change Act did post 2008.

Purpose clauses are important in legislation. And, as I have said, this purpose clause with a purpose is important because it provides for the action that the Secretary of State will need to take to make it real, over the many years that the Act will be with us. I commend our new clauses to the Committee. It may be argued that they are superfluous to a Bill that is already stuffed full of clauses, but they would bring everything together right at the beginning so as to show what the legislation does, and I am asking the Committee to consider whether that is a good or a bad thing. I overwhelmingly think that it is a good thing. I do not see anything in the new clauses that the Government could reject on the basis of their not being good. They may reject them on procedural grounds, but I do not think that that is necessary. I think that there are sufficient arguments in favour of the new clauses.

10.45 am

Is it a good idea to have a purpose clause at the beginning of the Bill? If so, is our proposed purpose clause the right approach or could improvements be made to it? We are open to any suggestions as to how it could be improved. Perhaps the Government will want to table their own amendments on Report, including for an improved purpose clause. We are anxious that the content of this new clause gets on to the statute book in one way or another. We look forward to further discussions about how it could be further strengthened to make the Bill even better for the future.

Andrew Bowie: I thank the hon. Member for his careful and considered contribution, which reflected the careful and considered discussions that His Majesty's loyal Opposition and the Government have been having on the Bill and on the wider issue of net zero and energy security over the past few months and years. He is absolutely right: this is not a partisan debate, and there is very little to distinguish the Opposition's approach to this issue from that of the Government. We all agree that our overarching aims, though this Bill and through the other actions that we as a country are taking, are to reduce emissions, reduce bills, strengthen our energy security, and create and secure new British jobs in the process, which will be to the benefit of this country and help us to lead the way in the world.

The hon. Member spoke with great purpose. I find very little to disagree with in the substance of what he said about the purpose clause, but he also admitted that the Bill is stuffed full, to use his phrase, of clauses that explain exactly what we are striving to do. For that reason, I suggest that despite the good intentions behind this specific purpose clause, it would be superfluous to the Bill at this stage. However, it is something that we are willing to consider moving forward.

With regard to the hon. Member's comments on the strategy and policy statement, the power of the 2013 Act was not specific to the measures contained in that Act but covered all of the Government's strategic energy priorities. That is why we published the consultation on an SPS just 13 days ago.

Dr Whitehead: Nearly 10 years later.

Andrew Bowie: Well, we got around to it eventually. The hon. Member for Kilmarnock and Loudoun asked whether the strategy and policy statement covers Ofgem. Yes, it does, and Ofgem will have regard to the SPS consultation that we are working on right now.

As I said, we intend to designate a final strategy and policy statement by the end of this year. That will be a decision for Parliament, not the Secretary of State, whichever party the Secretary of State happens to be from at the time. The new clauses are therefore superfluous to the Bill, despite the fact that they are well intentioned and that there is very little in their contents that I can disagree with. That is why I ask the hon. Member for Southampton, Test not to press his new clauses.

The Chair: It would be difficult for him to do so, as they will be considered when we come to the relevant part of our discussion on the Bill. The question for now is that clause 1 stand part of the Bill.

Question put and agreed to.

Clause 1 accordingly ordered to stand part of the Bill.

Clause 2

PROHIBITION ON UNLICENSED ACTIVITIES

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to discuss clauses 3 to 6.

Andrew Bowie: Clauses 2 to 6 relate to the licensable activities for carbon dioxide transport and storage.

Clause 2 establishes the prohibition on the transport of carbon dioxide by pipeline and its geological storage without an economic license regulated by Ofgem. As carbon dioxide pipelines for storage and site infrastructure are likely to be operated as regional monopolies, a framework of economic licensing and regulation is designed to prevent anti-competitive behaviours. Licensable activities will initially include the transportation of carbon dioxide via onshore pipelines and offshore pipelines, and the operation of an associated geological storage facility. The clause enables other methods of transportation of carbon dioxide to become licensable activities, should that be considered appropriate as the carbon capture and storage market evolves.

Non-pipeline methods of transportation—shipping, road or rail—are expected to form part of wider carbon dioxide transport and storage networks. These methods of transport are particularly important for dispersed sites, where there are emitters who wish to have their carbon dioxide captured and transported for permanent storage, but are not suitably located to join a transport storage network by pipeline.

While non-pipeline methods of transport will have an important role in the development of carbon capture and storage networks, the Government consider that there is currently insufficient evidence to justify economically regulating non-pipeline methods of carbon dioxide transport. As those methods of transportation have differing characteristics from pipelines, with a potential lower cost of entry and an ability for multiple asset-running in parallel, competitive regional markets may emerge naturally for non-pipeline transportation of carbon dioxide. However, should competitive markets not emerge as anticipated, that may be rationale for future regulatory intervention. The ability of the Secretary of State to bring activities within the scope of the licensing framework is particularly important, given the financial support provided by the Exchequer to support carbon capture facilities and to ensure appropriate and effective protections can be put in place for users of the network.

I turn to clause 3. Any future use of the power established in clause 2 to extend the economic regulation framework to other methods of transporting carbon dioxide, should that be considered appropriate, would be subject to statutory consultation, as provided for in clause 3. Under the provisions of the clause, the Secretary of State is required to give notice of their intention to make regulations to extend the licensing framework to other methods of carbon dioxide transportation. That would include statutory consultation with the economic regulator to confirm the rationale for market intervention and consultation with the devolved Administrations.

Clause 4 sets out the territorial scope of the economic licensing framework for carbon dioxide transport and storage. The economic regulatory regime established by chapter 1 and part 1 of the Bill will extend to all parts of this United Kingdom. The licensing regime and economic regulation will also apply to transport and storage activities offshore, both in the UK's territorial seas and in waters designated as a gas importation and storage zone under section 1(5) of the Energy Act 2008.

Clause 5 provides for the Secretary of State to grant exemptions from the requirement to hold a carbon dioxide transport and storage licence. That provision is important to ensure that the prohibition established by clause 2 operates effectively and as intended and does not, for example, impact or inhibit activities that it is not considered appropriate to economically regulate.

For example, exemptions are a means by which a small-scale operator would not be burdened by licensing costs and obligations that could be considered disproportionate to the scale of their operation. However, exemptions should not enable a competitive advantage over licensed operators. Exemptions will be set out in the way of regulations and may be granted either to a class of persons or to an individual person. A statutory consultation process is set out in the clause, to ensure that appropriate notice is given ahead of making exemption regulations and to allow for representations to be made.

Clause 6 provides for the Secretary of State, by way of regulations, to be able to vary, withdraw or revoke exemptions from the licensing requirements that have been granted under the provisions of clause 5. As market circumstances change, it is conceivable that certain activities, categories or classes of activity that are appropriately exempt from economic regulation in the early years of CCUS deployment may, as the sector matures, be considered more appropriate for licensing and regulation, or the particular activity that was subject to exemption may itself develop or change. That will ensure that any exemptions granted remain appropriate as the UK CCUS industry matures. I hope that the Committee will agree that clauses 2 to 6 should stand part of the Bill.

Alan Brown *rose—*

The Chair: I call Alan Brown.

Dr Whitehead *rose—*

The Chair: Dr Alan Whitehead, do you wish to speak?

Dr Whitehead: I do, but—

The Chair: Well, we need to decide which—I call Alan Brown.

Alan Brown: Thank you, Mr Gray. It is a pleasure to serve under your chairmanship. I will just ask the Minister a few brief questions.

In clause 3, the consultation on proposals for additional activities sets a 28-day timeframe in which objections or representations can be made, and the clause details that the Secretary of State must consider those. However, there is no timeframe for the Secretary of State to respond, and there is nothing that actually details the process of how representations will be considered and responded to. Could the Minister give a bit more information on that?

Clause 3(3)(b) is about notice given to Scottish Ministers relating to devolved competences, so could the Minister give examples of the types of activities he envisages that covering? Also, what process will the Secretary of State follow in taking the views of the devolved Administrations?

That goes to the wider concern that I have already expressed about the UK Government having powers to interfere in what would usually be devolved competences. I know that it is slightly nuanced in this case, but I just want to flag that I do not want to later have lodge loads of amendments and force votes on replacing "consult"

with "approval". I know that it is slightly different at this stage, but could the Minister give details of what he thinks the activities would be? The same question applies to subsections of clause 5 and 6.

The Chair: I presume that His Majesty's loyal Opposition wish to say something. I remind the Committee that when you wish to catch my eye, it is important to stand up and make it plain that you wish to speak. If you do not do so, I will not call you. I call Dr Alan Whitehead.

Dr Whitehead: Thank you, Mr Gray, and I appreciate that undertaking. My knees do not necessarily work in the way that I would ideally like them to in my advanced years, but I will attempt to do that.

The clauses provide a pretty good start point on prohibition on unlicensed activities. Indeed, clause 2 states:

"It is an offence for a person to carry on an activity within subsection (2) unless the person is authorised to do so by a licence."

Again, that is the whole licensing arrangement that pervades the energy sector. The clause then specifies the activities, including

"operating a site for the disposal of carbon dioxide by way of geological storage",

and

"providing a service of transporting carbon dioxide by a licensable means of transportation."

We tabled an amendment on the use of carbon dioxide, but we were assured by the Minister at that time that that would be effectively covered by the scope of this clause.

That is a great start, but then we move on to not just the consultations but, in clause 5, the exemption from prohibition. Interestingly, clause 5 states:

"The Secretary of State may by regulations grant exemption from the prohibition under section 2(1)."

It does not actually specify what those exemptions might be; it just states that the Secretary of State may by regulations grant exemption. I therefore presume that, within that secondary legislation, the Secretary of State will unpack and set out the exemptions, and indeed how far those exemptions might run. It is interesting that the Bill states:

"An exemption may be granted…unconditionally, or subject to such conditions as may be specified."

I presume that those conditions will be specified in the regulations that the Secretary of State will be required to introduce in secondary legislation. It also states:

"An exemption may be granted…indefinitely, or…for a period specified in, or determined by or under, the exemption."

That will also presumably be in the regulations.

11 am

The Minister says that at a future date we may wish to bring things that we exempt now under licensing arrangements. I am not immediately assured that that will be the case if an exemption is granted indefinitely in the regulations. Nor am I particularly assured by the fact that the Bill provides enormous leeway for a future Secretary of State to interpret the idea of exemption very widely or very narrowly. It does not give any examples of where exemptions might be agreed; it merely provides a mechanism to allow the Secretary of State to think about exemptions, and relies on the secondary legislation to either curtail or expand them as the Secretary of State sees fit.

Kerry McCarthy (Bristol East) (Lab): I know that this is a lengthy Bill, and there is a lot to get through, but I slightly had trouble keeping up with the breakneck speed at which the Minister introduced the clauses, so I am glad to have an opportunity to question him. He said that although there will be instances where licences are not needed, the situation might change and a licence may be needed. It would be helpful to have some examples of those scenarios to illustrate when the Secretary of State might invoke these powers. Does my hon. Friend agree?

Dr Whitehead: Yes, indeed. My hon. Friend has read my mind, as she often does.

This clause is procedural, as I have illustrated, and essentially says: "There may be exemptions. We don't know what they are or what they might consist of, but don't worry about it. The Secretary of State will think about that in due course and produce regulation that we hope—but we don't know—might set that out in greater detail." It is important that the Minister sets out today what might be in his mind when he makes those regulations, as far as exemptions are concerned. Is he a wide exemption Minister or a narrow exemption Minister? If he is a wide exemption Minister, what is the scope of the exemptions that he will be thinking about? If he is a narrow scope Minister, how does he interpret subsection (7), which states that an exemption may be granted indefinitely, given what he just said about how things may change in the future?

I know that there are things that we thought were indefinite in legislation that have turned out not to be—most importantly because Parliament cannot decide what the previous Parliament thought. However, it seems to be a hostage to fortune to put the word "indefinitely" in this legislation in the way that we see in clause 5(7).

I would be grateful if the Minister could provide us with some thoughts on what exemptions might look like and what his intentions are as far as regulation is concerned. I have not looked yet at the end of the Bill to see how any regulations might be considered by Parliament, but when the Secretary of State makes regulations on exemptions, I would expect those to be put forward under the affirmative rather than the negative procedure so that we have an opportunity to examine what they consist of.

Kerry McCarthy: Clause 5(6) refers to "Notice of an exemption" being given. It would be helpful to have clarity on the reference to

"Other persons who may be affected by it."

I am not sure how that would be decided. It is really important that we have transparency and accountability in these processes. Does my hon. Friend agree?

Dr Whitehead: Yes, I do agree. Again, I appreciate that the wording of this Bill might be regarded as necessarily fairly vague, because of the fact that—in the words of Donald Rumsfeld—there are known knowns, known unknowns, unknown knowns and unknown unknowns about the future. However, it is important at

[Dr Whitehead]

least to have on the record something that guides us in a more positive way on who might be the "other" people affected and on indefinite exemptions and so on. It would be a good idea if that could at least be included in the discussion of the Bill.

By the way, our proceedings in Committee are of course recorded, and they are used on occasion in law to determine what the purpose of particular clauses was and what was thought to be in the mind of legislators when they introduced them. So it would be helpful, not just for our discussions today but perhaps for the future record, if the Minister was able to clarify these matters in a suitable way.

Alec Shelbrooke: It is a pleasure to serve under your chairmanship, Mr Gray, for what will be a long and detailed consideration of the Bill.

I want to focus on these clauses, because they provide an overall setting for the entire agenda. As the hon. Member for Southampton, Test outlined, the Bill is perhaps one of the most important pieces of legislation to come before the House in the 21st century, as we look at how we deal with these issues for the rest of the 21st century—it really is that significant.

To draw on the hon. Gentleman's comments about unknown knowns and so on, we have to be careful at this early stage that we do not regulate to the point that we choke off innovation and research. A complaint is often made at several levels about how difficult it can sometimes be in this country for innovators and entrepreneurs to move forward without getting tied up in huge amounts of red tape. Given the global competition that exists in the field of climate change, environment and green energy, we want to have a competitive advantage.

I am sure we will discuss later areas such as tax credits and how research and development can be expanded in this industry. The Bill is so wide-reaching, across so many Departments—indeed, you might rule us out of order as we consider it, Mr Gray—that I expect to be told once or twice that some provision is not the responsibility of the Minister. The Bill ties up so many areas of Government, including the Department for Business and Trade, the Treasury and the responsibilities of the Minister.

Therefore it is important that we do not try to license every possible outcome that we may consider at this stage. That would delay the process. Often, it is important to allow a Minister to make a reasonably quick decision as something comes to the fore, whether through secondary legislation or a delegated decision. If we look at America's Inflation Reduction Act or the EU's response to it, we know that we are in a highly competitive, subsidised market. I do not believe in the heavy subsidisation of companies; I believe in being able to exploit their intellectual capability to be innovative, to be world leading and to get things to market as quickly as possible. Having said that, later clauses of the Bill concern things, such as battery storage, about which I have great concerns and on which we probably need a bit more legislation. That is one of those areas that may well fall under a different Department, but it will be important to raise those issues in the context of the Bill.

I understand the desire to say, "We must try to use the Bill to offset any health and safety concerns that may come along, because we are in such a new technological area." But when we look at the granting of licences in this part of the Bill, we would not want to choke off the innovators for which this country is well regarded in so many countries around the world. We are an innovative nation. We have the lead on innovation. China steals IT and reduces the cost of producing materials through poor wages and a disregard for health and safety, but it is not an innovator, which is what our universities and sectors work so well towards being.

The hon. Member for Sheffield, Hallam mentioned that she had spoken to the institutions in her great city. In a previous life, when I worked for the University of Leeds, I was involved in the early days of nanotech. We joined up all our seven major universities, including the universities in the hon. Lady's city, and that accelerated Yorkshire's ability to lead in nanotechnology. We could do that because we could draw those things together, bring the expertise together and accelerate it. Innovation hubs formed out of those universities in the early 2000s and gave us a leading edge, which we have used.

As legislators, we must try to ensure that we provide a framework for companies, innovators and researchers to work within. But that should not be prescribed in such a way that, when a product is ready to take to market, needs extra investment or needs to be able to work elsewhere, we have put a very tight pair of handcuffs on the ability to do those things. The premise of the Bill gives direction, but my hon. Friend the Minister should not make it so tight that we choke off the very things that we are trying to do.

We all talk about the huge potential investment in the green economy, about the green investment bank and about the massive changes that have taken place in the Treasury in recent years. Of course, we talk about having a smooth transition when there is a potential change of Government. That is why the Bill is so important and why I pushed to be on this Committee. The Bill is a major change that will stand this country—and indeed the world, if we can export some of the technology—in good stead in terms of achieving the better society we are trying to achieve on climate change. It is important that we go down this road, but let us not make the provisions so restrictive that we choke off the innovation at which this country excels.

11.15 am

Andrew Bowie: I thank right hon. and hon. Members for their contributions. I agree completely with my right hon. Friend the Member for Elmet and Rothwell. Indeed, one example for an exemption would be to ensure that the regime is not overly burdensome—for example, smaller operators for whom a requirement to hold a licence, if operated, would be overly onerous. That is why the power is intended to allow exemptions from the requirement to hold a licence when an activity would otherwise fall into the prohibition that we do not think it would be technically or economically necessary to require a licence. That is not an original thought: it is the exact situation in the gas and electricity markets, as they stand right now. I cannot give any other specific examples, because we intend to engage with the market and with industry on potential classes of exemption before we bring forward the secondary legislation in

that area. Under the provisions in the Bill, we will conduct a formal consultation process ahead of laying exemptions regulations.

On the consultation process, as the hon. Member for Kilmarnock and Loudoun pointed out, there is no timeframe for the Secretary of State to respond; however, he is obliged to consider any representation or objection made. I am sure that the Department—especially myself—will be keen to keep him updated on progress with any response to the consultation.

On consultation with Scottish Government and Welsh Government Ministers regarding the Bill, we will cover that in greater detail as we proceed through the Bill. I have already met my counterpart in Edinburgh and yesterday met virtually my counterpart in the Welsh Government. We are discussing how best to proceed with consulting on the nature of the Bill. As I referred to earlier, the differences between the UK Government and the devolved Administrations mirror the differences between the Opposition and Government, in that we are all very much in agreement on the broad scope of the Bill and on a huge majority of what we seek to do through it. I look forward to working constructively with Ministers and colleagues in Holyrood and Cardiff, so that we can get the balance right and move forward in a way that is good for the entire United Kingdom. That is why I recommend the Committee to agree that clauses 2 to 6 stand part of the Bill.

Question put and agreed to.

Clause 2 accordingly ordered to stand part of the Bill.

Clauses 3 to 6 ordered to stand part of the Bill.

Clause 7

Power to grant licences

Question proposed, That the clause stand part of the Bill.

Andrew Bowie: Clause 7 provides the economic regulator, Ofgem, with the power to grant licences that permit the carrying out of carbon dioxide transport and storage activities and charging for transport and storage activities. It is the Government's intention that in the enduring regulatory regime, Ofgem is responsible for rewarding carbon dioxide transport and storage licences. The Government's CCUS cluster sequencing process will identify the first CCUS clusters eligible for government support and the first transport and storage operators to be granted an economic licence.

Through clause 16 and schedule 1 the Bill provides for the Secretary of State to grant the first licences. That is appropriate, given that Exchequer support will be available to the first clusters. Although it will be the Secretary of State who makes the decision to grant the first licences, once a licence has been granted Ofgem will assume full regulatory oversight of the licences. Following the initial cluster sequencing process, our procedure for future licence applications is expected to be developed, taking into account learnings from the sequencing processes that have gone before. That is provided for in the next clause.

Ordered, That the debate be now adjourned.—*(Joy Morrisey.)*

11.19 am

Adjourned till this day at Two o'clock.