PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

ENERGY BILL [*LORDS*]

Fifth Sitting

Tuesday 6 June 2023

(Afternoon)

CONTENTS

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 10 June 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 6 June 2023

(Afternoon)

[James Gray *in the Chair*]

Energy Bill [*Lords*]

Clause 79

Information and advice

2 pm

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

The Parliamentary Under-Secretary of State for Energy Security and Net Zero (Andrew Bowie): The clause enables revenue support regulations to allow for the provision and publication of information and the giving of advice. For revenue support contracts to function effectively, flows of information and advice may be needed among—but not limited to—the Secretary of State, a revenue support counterparty, an allocation body, a hydrogen levy administrator and any other person or description of persons specified in the regulations. The regulations will help ensure that information and advice required for the functioning of the business model schemes is provided to the bodies requiring it at appropriate points. The clause also enables revenue support regulations to make provision governing the use and protection of such information to ensure it is handled in an appropriate manner.

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

Dr Alan Whitehead (Southampton, Test) (Lab) *indicated dissent.*

Question put and agreed to.

Clause 79 accordingly ordered to stand part of the Bill.

Clause 80

Enforcement

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

Andrew Bowie: Thank you, Mr Gray. I was unable to finish my mint imperial; I was rather hoping that the Opposition might have something to say on the previous clause.

The clause enables regulations to make provision for the Gas and Electricity Markets Authority and the Northern Ireland Authority for Utility Regulation to enforce hydrogen levy requirements imposed on relevant GB and Northern Ireland market participants respectively. It will allow the regulators to, for example, issue orders to secure compliance, impose financial penalties and, where other enforcement measures are insufficient, consider possible licence revocation. It is critical that the levy is supported by a suite of enforcement measures. This will help reduce the risk of defaults on levy payments and help ensure that the levy administrator can collect the moneys required to fund the hydrogen business models.

The clause also provides the Secretary of State with the power to make provision in regulations for the Gas and Electricity Markets Authority to enforce requirements that may be imposed on the independent system operator and planner as a hydrogen production allocation body. That may include requirements that relate to Northern Ireland. The clause helps ensure a consistent regulatory regime for the independent system operator and planner.

Dr Whitehead: I am sorry, Mr Gray, but I am going to have to leave the Minister with a mint imperial in his mouth as I do not have anything to say on this clause either.

Question put and agreed to.

Clause 80 accordingly ordered to stand part of the Bill.

Clause 81

Consultation

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

Andrew Bowie: Mint imperial completed. The clause requires the Secretary of State to consult the Department for the Economy in Northern Ireland and Scottish and Welsh Ministers before making revenue support regulations where the matter being consulted on is within the legislative competence of the relevant devolved legislature. In addition, the Secretary of State must consult other persons as they consider appropriate. This provides an opportunity for those directly affected by the regulations and those with special expertise to express their views on their design. The clause also requires the Secretary of State to consult those persons he considers it appropriate to consult before publishing standard terms under clause 70.

Question put and agreed to.

Clause 81 accordingly ordered to stand part of the Bill.

Clauses 82 and 83 ordered to stand part of the Bill.

Clause 84

Shadow directors, etc

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

The Chair: With this it will be convenient to discuss clauses 85 to 87 stand part.

Andrew Bowie: I will keep this brief. Clause 84 makes it clear that in exercising their functions under chapter 1 in relation to a revenue support counterparty, neither the Secretary of State nor an allocation body are to be deemed to be managing or controlling a counterparty in a way that would class them as, for example, "shadow directors".

Clause 86 caters for a scenario where the independent system operator and planner—also known as the ISOP—is appointed as the hydrogen production allocation body. The clause will allow the Secretary of State to modify the electricity system operator and gas system planner licences expected to be held by the ISOP, as well as related documents, for the purposes of facilitating or ensuring the effective performance of hydrogen production allocation and related functions.

Question put and agreed to.

Clause 84 accordingly ordered to stand part of the Bill.

Clauses 85 to 87 ordered to stand part of the Bill.

Clause 88

FINANCING OF COSTS OF DECOMMISSIONING ETC

Dr Whitehead: I beg to move amendment 88, in clause 88, page 79, line 4, at end insert—

"(9A) Guidance by virtue of this section shall have regard to the circumstances under which a prospectively decommissioned carbon capture and storage facility came to be established and what relation that point of establishment had with provisions under part 4 of the Petroleum Act 1998."

This amendment seeks to clarify the position of decommissioned oil and gas plants that are not fully decommissioned before they are transitioned to a carbon capture usage and storage plant, and where financial responsibility then lies at the end of the CCUS lifecycle when it is due to be decommissioned. This amendment says that the Secretary of State must have regard for this complexity and assess where the responsibility lies.

We now come to chapter 2 of part 2 of the Bill, which deals mainly with decommissioning of carbon storage installations. That is likely to be of concern rather later in the day than currently, but it is important to get it right from the outset. Many carbon capture and storage installations will not have been set up just for the purpose of carbon capture and storage; they will have been recommissioned from a previously decommissioned oil and gas facility, or one that was not entirely decommissioned but put to use as a repository for carbon dioxide, usually offshore. As we go through that sequence, there will be many circumstances where what we had in place previously with respect to North sea oil and gas decommissioning, and the responsibilities of the company that has been producing oil or gas in a particular field as it moves to decommissioning, may become a little blurred.

Abandonment of offshore installations is covered by part IV of the Petroleum Act 1998. There is a lot in there about the circumstances under which those who operate offshore oil and gas facilities have a legacy duty to decommission the well from which they have been producing. They have responsibilities in that respect. They have to decommission the well to proper standards, ensuring that it is properly capped and that the plant has gone from the production platform. The platform itself may be towed away and scrapped in a Norwegian yard somewhere. The cycle is therefore complete as far as that oil and gas decommissioning is concerned.

One increasingly apparent issue is that we no longer want that to happen completely if we are to have successful carbon capture and storage facilities, under the North sea in particular. We want to see to what extent we can take those installations and turn them to another purpose—carbon capture and storage. They are adaptable for such purposes, and we will certainly use a lot of transferred facilities. I imagine that we will produce little in the way of brand-new carbon capture and storage facilities, but for some infrastructure—pipelines and so on. The pattern for carbon capture and storage has already largely been laid down by what we do in the North sea now.

One task for the future will be unrolling some of the decommissioning activity, which is a big business now, with a lot going on. One concern is that if the decommissioning of infrastructure continues at the pace it is going at the moment, when we come to concentrate our production in the North sea into smaller fields that have already been discovered but not yet exploited, we might well find that a lot of the infrastructure for the larger fields that we have decommissioned will have to be recreated all over again to allow the economic exploitation of the smaller fields, which are effectively in existing fields that have had the infrastructure stripped from them already.

That is one reason why we should not continue the decommissioning regime exactly as it is. The second reason, which is as or more important, is the extent of the infrastructure as a whole. I emphasise that this is a question not just of capping off oil wellheads and leaving the field alone when it is exhausted, but of trying to keep the infrastructure in place to allow for the transportation, landing and all the rest of the carbon capture activity to take place within the framework that was there before.

At the very end of the decommissioning process—for example, once a carbon capture and storage institution created from a depleted field is full, which I appreciate is quite a long way off—we will have to have a decommissioning programme in reverse. The question then arises: what sort of legacy duty will arise for those people who used the field in other circumstances, if it has been extended for carbon capture purposes and must then be decommissioned? Is there a joint legacy duty between the previous oil and gas users and the current carbon capture and storage users, or do the carbon capture and storage users take over completely the legacy duty for the previous field as far as decommissioning is concerned? Is there some kind of shared responsibility?

The amendment seeks to instruct guidance on such matters to have regard to those kinds of circumstances. I will read its exact wording:

"Guidance by virtue of this section"—

that is, clause 88, on decommissioning—

"shall have regard to the circumstances under which a prospectively decommissioned carbon capture and storage facility came to be established and what relation that point of establishment had with provisions under part 4 of the Petroleum Act".

The amendment would link the carbon capture and storage activity straight back to the Petroleum Act, so that there is a continuous skein of commissioning, use and decommissioning, with the responsibilities that go with all that.

2.15 pm

It is important that, one way or another, we ensure that that happens, so that at the end of the carbon capture and storage story we do not leave a legacy of confusion, where no one really knows who is responsible for what. Indeed, some of the people who might have taken on the repositories for carbon storage might well be discouraged from doing so in the first place because they are unclear about what their decommissioning responsibilities will be in the long term. It is a question of thinking not just about something in the very distant future, but about how we get it right now, so that the future is fairly secure for those people undertaking carbon capture and storage activities.

I would like to hear from the Minister whether he thinks what the Government have in mind covers those points, or whether there are things that can make that happen that, despite my best endeavours to read all the subsections and various bits of the Bill, I have not got to. Personally, I think the safest way to proceed

would be to adopt an amendment like this one, so that we are clear about what we are doing on carbon capture and storage in future.

Andrew Bowie: Amendment 88, tabled by the Opposition spokesperson, seeks to expand the scope of guidance on the decommissioning fund. He has explained why he is presenting this amendment, and we should acknowledge his point about the complexities where a former oil and gas installation is repurposed for carbon storage purposes. It is important to get the question of who is responsible for decommissioning right.

The Petroleum Act 1998 is the principal legislation governing decommissioning offshore and the decommissioning of offshore carbon capture, usage and storage infrastructure, and provides a framework for the decommissioning of offshore pipelines and installations. However, it is not necessary to rely solely upon the guidance we are setting out in the Bill to deal with the situation in the North sea, because of what I have just set out: the existing law in the 1998 Act, combined with amendments to sections 30 and 30B of the Energy Act 2008 provided for by clauses 91 and 92 of this Bill. We believe that those already provide the necessary safeguards, because under part 4 of the Petroleum Act, the Government can call upon the previous owner of an asset to fulfil the decommissioning obligation if the current owner is unable to do so. That creates a chain of liability throughout the asset's life, which would extend into carbon capture, usage and storage if an asset is reused. Previous oil and gas owners therefore continue to be liable for decommissioning a repurposed asset, unless the Secretary of State has designated the asset as eligible for change of use relief and other qualifying requirements are met.

The conditions to qualify for change of use relief are set out in sections 30A and 30B of the Energy Act 2008. In turn, it is proposed that sections 30A and 30B be updated by clauses 91 and 92 of the Bill. The amendments made by clauses 91 and 92 mean that, to qualify for the relief, the previous oil and gas owner would need to pay a top-up amount into the decommissioning fund to reflect the decommissioning liability that that previous owner is being relieved of. In addition, a decommissioning notice under section 29 of the Petroleum Act 1998 must have been served on other persons, such as the CCUS operator who will ultimately have to decommission the carbon storage installation at the end of its life.

The Government do not rule out the possibility of guidance providing additional explanation and detail on that and other matters pertaining to it, but we do not believe that it needs to be stated in the legislation, for the reasons that I have given. I therefore humbly ask the hon. Member for Southampton, Test to consider withdrawing his amendment.

Dr Whitehead: The Minister has set out admirably the sub-controls and clarifications that can be provided by texts outside part IV of the 1998 Act, but with respect, those address circumstances in which the operator of a carbon capture and storage facility cannot meet their liabilities and obligations. In those circumstances, as the Minister says quite correctly, the previous owners will have some liability to step into the breach. By and large, as the new owners of carbon capture and storage facilities invest in them, they will not want to have liability, unless they go bust—that is effectively what the Minister is saying—and they presumably do not intend to go bust during the life of the carbon capture and storage plant. If their only lifetime guarantee from the repurposed body is that someone will come to their aid if they go bust, that is not really sufficient to establish the chain throughout the whole process. That is essentially what we are seeking through our amendment.

I appreciate that the Minister thinks that that can be done outside the Petroleum Act, but I would like an assurance that he has taken my point on board. When additional guidance is supplied, it should address the whole cycle, ensuring a good outcome for everybody, rather than a distressed outcome for certain people. If the Minister can give that assurance, I will be happy withdraw the amendment.

Andrew Bowie: As I said, additional guidance will be forthcoming. We do not believe it necessary, in this Bill, to legislate for what we are discussing. These are serious points, and in speaking to clauses 88 and 89, I will go into more detail about subsequent support for decommissioning, who is responsible, and so on. I hope that that is acceptable for the hon. Gentleman and that he feels able to withdraw his amendment.

Dr Whitehead: 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 clauses 89 to 93 stand part.

Andrew Bowie: Clause 88 gives the Secretary of State the power to make regulations on the provision of security for the decommissioning costs of CCUS transport and storage networks. That includes enabling the Secretary of State to make regulations requiring CO_2 transport and storage companies to establish decommissioning funds for each of their storage sites and associated transport networks. We must ensure that CCUS is prepared for decommissioning in an appropriate way to mitigate any long-term impact on our environment. Clause 89 sets out supplementary provision, including regulations made under clause 88, relating to the financing of the decommission of CCUS assets.

The Petroleum Act 1998 is, as I have set out, the principal legislation governing the decommissioning of offshore oil and gas. In addition, section 30 of the Energy Act 2008 allows for the decommissioning of carbon storage installations. Clause 90 makes several amendments to section 30 of the 2008 Act by clarifying how the part IV decommissioning regime applies in a CCUS context.

Industry has identified certain barriers to the repurposing of certain CCUS structures, which the Bill will address. Specifically, under the 1998 Act, the Government can reach back to current and previous owners of an installation or pipeline to carry out the decommissioning of that asset. That will create a chain of liability through the asset's life, and may act as a barrier to repurposing. Owners of oil and gas assets may consider the relative uncertainty of CCUS decommissioning liabilities too great a risk to carry.

Clause 92 mirrors the effects of clause 91 but relates to change of use relief for pipelines, rather than for installations. Clause 93 builds on the previous clauses 91 and 92, relating to change of use relief. Clause 93 inserts a new section 30C into the Energy Act 2008. It enables the Secretary of State to make regulations about obtaining and sharing information, for the purposes of the Secretary of State's functions regarding change of use relief. Clause 93 also makes an amendment to section 105 of the 2008 Act, consequential to the amendments in clauses 91 and 92. On that basis, I ask that clause 88 stand part of the Bill.

Question put and agreed to.

Clause 88 accordingly ordered to stand part of the Bill.

Clauses 89 to 93 ordered to stand part of the Bill.

Clause 94

DESIGNATION OF STRATEGY AND POLICY STATEMENT

The Chair: With this it will be convenient clauses 95 to 97 stand part.

Andrew Bowie: This group of clauses deals with designating a carbon capture, usage and storage strategy and policy statement. Although day-to-day regulatory decisions will be made independently by the economic regulator, policy direction for carbon capture and storage will continue to be directed by the Government. Clause 94 provides that the Secretary of State may designate a strategy and policy statement for CCUS, which the economic regulator must have regard to in carrying out its functions. Such a statement would set out the strategic priorities for CCUS policy, the particular outcomes to be achieved as a result of the implementation of that policy, and the roles and responsibilities of persons who are involved in implementing that policy or who have other functions affected by it.

Providing for a strategy and policy statement to be designated is consistent with the approach in other economically regulated sectors, including the energy sector. Given that there is potential for a CCUS strategy and policy statement and an energy strategy and policy statement to overlap in certain areas, in preparing a CCUS strategy and policy statement the Secretary of State must take account of any energy strategy and policy statement that has been designated.

Clause 95 requires the economic regulator to have regard to the strategic priorities set out in a CCUS strategy and policy statement and to carry out its CCUS-related functions in a way that aims to achieve the policy outcomes set out in the statement. In carrying out its functions in the manner best calculated to achieve the policy outcomes, the economic regulator remains subject to the application of the principal objectives in clause 1 of the Bill. As defined in this clause, in carrying out certain functions—those related to the determination of disputes and to competition—the economic regulator should not be required to take account of a CCUS strategy and policy statement. Nor do the duties set out in relation to a CCUS strategy and policy statement affect or override any other legal obligation or duty upon Secretary of State or the economic regulator under this Bill or any other Act. If the economic regulator considers that a policy outcome contained in the strategy and policy statement is not realistically achievable, it must inform the Secretary of State.

Clause 96 establishes timeframes and circumstances for reviewing a CCUS strategy and policy statement. The process of setting policy direction should not occur more often than once a Parliament. That reduces the risks associated with frequent change to policy priorities, and ensures a stable and predictable regulatory landscape for investors. However, there should be scope to review outside that timeframe if, for example, a general election has taken place outside this cycle, in order to ensure the strategy and policy statement reflects the priorities of the Government of the day. A review may result in a new statement, revisions to the existing statement or the conclusion that the existing statement remains relevant and appropriate. This is consistent with the approach in any other regulated sector and with the reviewing of an energy strategy and policy statement, as set out in the Energy Act 2013.

Clause 97 sets out the procedure the Secretary of State must follow before a CCUS strategy and policy statement can be designated. This process provides for consultation and parliamentary approval of a CCUS strategy and policy statement. The procedure set out in this clause follows the procedure for designating a strategic policy statement under part 5 of the 2013 Act. Therefore, I ask that clause 94 stand part of the Bill.

2.30 pm

Dr Whitehead: I have no particular objections—indeed, I strongly support the strategy and policy statement and everything that goes with it as far as the CCUS is concerned. As the Minister has pointed out, this does not cut across any other strategy and policy statement; conversely it should be guided by other strategy and policy statements where appropriate. Later, we will debate the extent to which the regulator, Ofgem, may have a strategy and policy statement of its own that gives it a carbon reduction net zero imperative in its operations. I assume that under those circumstances this particular strategy and policy statement would be subject to that strategy and policy statement as far as its operation is concerned. Will the Minister confirm that?

Andrew Bowie: I am happy to confirm that. The economic regulator, Ofgem, would be required to take into account the strategic priorities set out in any CCUS strategy and policy statement when carrying out its CCUS-related functions. Clause 40, which we have already debated, requires Ofgem to publish a document as soon as is reasonably practicable after a strategy and policy statement has been designated, setting out the strategy it intends to adopt to further the delivery of the policy in the statement and how that will be implemented. I am very happy to confirm that that would be the case.

Question put and agreed to.

Clause 94 accordingly ordered to stand part of the Bill.

Clauses 95 to 97 ordered to stand part of the Bill.

Clause 98

SPECIFIED PROVISIONS IN CARBON DIOXIDE STORAGE LICENCES

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

The Chair: With this it will be convenient to discuss clauses 99 to 101 stand part.

Andrew Bowie: Clause 98 will allow the Oil and Gas Authority, whose business name is now the North Sea Transition Authority, to consider a proposed change of control of a holder of a carbon storage licence before it takes place to ensure that the governance, technical and financial capability of such a licensee remains appropriate. At present, the NSTA issues licences to give the right to store carbon dioxide in offshore geological formations; prior to issuing the licences, the NSTA satisfies itself that the prospective licensee company and any parent company are fit to hold the licence and will meet the obligations.

At times during the life of a licence, the ownership and control of a licensee may pass to a new parent company or person. An undesirable change of control could undermine investor confidence in the commercial environment, making the UK continental shelf a less attractive place for investment. Currently, the NSTA is able to take remedial action regarding a change of control of licence holder only after such a change has occurred. This is seen by both the NSTA and the wider industry as being inefficient and of limited effectiveness in preventing harms to the wider industry, the Government and the economy. The existing remedy is also time-consuming, typically taking a year or more, during which a potentially undesirable owner of a licensee could harm investor confidence in the commercial environment.

A requirement will therefore be introduced through schedule 1 to the Storage of Carbon Dioxide (Licensing etc.) Regulations 2010 for current and future licensees to apply in writing to the NSTA for consent to a change of control at least three months before the planned date of the change. Following receipt of an application, the NSTA may give unconditional or conditional consent, or indeed refuse consent to the proposal. Conditions imposed may be financial, relate to the timing of the change of control, and relate to the performance of activities permitted by the licence. In the case of conditional consent or refusal, the NSTA must give the licensee the opportunity to make representations and it must consider those representations. The measure will also allow the NSTA to revoke a licence where its prior consent has not been obtained for a change of control. The NSTA will therefore be able to regulate the suitability of carbon storage licensees in a more robust and timely manner.

Clause 98 also sets out how provisions inserted into a carbon storage licence by schedule 6 may be altered or deleted. Clause 99 clarifies that where a carbon storage licence is revoked, the NSTA also has the power to revoke the permit. Without this clause, an undesirable investor might argue that they are able to continue to operate under the permit, and investor confidence in the commercial environment will be harmed.

Where the NSTA is the licensing authority under section 18 of the Energy Act 2008, it also approves and issues storage permits. The granting of a licence allows the licensee to carry out various activities in the licensed area; to carry out storage of carbon dioxide or to establish and maintain installations for the purpose, a storage permit must also be issued. Clause 98 will create a requirement for carbon storage permit holders to seek consent from the NSTA at least three months before a change of control is due to occur. Where that procedure has not been followed and a change of control has occurred without its prior consent, the NSTA will be able to revoke carbon storage permits.

Together, clauses 98 and 99 will ensure that the new approach will apply for both licences and permits, as is intended. This will ensure that the basin continues to attract investment while protecting the taxpayer from funding liabilities not met by potential undesirable investors.

Clause 100 inserts a new subsection into section 23 of the Energy Act 2008, ensuring that a licensee does not commit an offence due to a failure to obtain the prior consent of the NSTA in relation to a change of control. Section 23 covers offences relating to carbon storage licences, including setting out that a licence holder commits an offence if

"a thing is done for which the licence specifies that the prior consent of the licensing authority or any other person is required, without that consent first having been obtained".

Section 23 was designed to address situations where the action of seeking consent from the NSTA and the "thing" being done is within the licensee's full control. Applying section 23 to a change of control of licensee would be inappropriate, because often a licence holder cannot prevent such a change of control or have any control over the timing of such a transaction. For example, section 23 could be applied to those who have control over the company, such as directors or high office holders. However, in relation to a change of control event, a director may have no control over such a transaction taking place, and it may be the case that they had no way to prevent the change of control or influence the timing. This clause will amend the existing legislation by clarifying that section 23(1)(a) or (1)(b) will not apply in respect of a change of control of licensee. Without that clarification, directors or high office holders of a carbon storage licence holder could be fined up to £50,000 and/or jailed for up to two years for failing to obtain the consent of the NSTA prior to a change of control occurring.

Clause 101 will allow the NSTA to request that a relevant company or person provide it with any information it may require in exercising its functions in relation to a change or potential change of control of a licensee. Currently, the authority does not have information-gathering powers to assist it in considering a change of control in respect of a carbon storage licensee. In some instances, the authority is therefore limited in conducting proper due diligence to determine whether a change of control of a licensee is undesirable.

The information will help the NSTA to consider the financial and technical capability, operational and commercial plans, and governance and fitness of the licensee in relation to its proposed controlling entity. That will provide the authority with the necessary information to appropriately consider an application for consent, or when considering whether to revoke a licence where a change of control has occurred without consent.

Information that would be protected from disclosure or production in legal proceedings on grounds of legal professional privilege or, in Scotland, confidentiality of communications is not included under this clause.

Dr Whitehead: I congratulate the Minister on his speed-reading abilities this afternoon, which help the progress of the Committee considerably. I do not object to the clause, but we ought to be clear about the nomenclature used in it. The Minister invoked the name of the North Sea Transition Authority on a number of

occasions in connection with carbon capture and storage provision. Of course, the North Sea Transition Authority is just the North Sea Transition Authority in name. It is not the North Sea Transition Authority in law; it is the Oil and Gas Authority in law.

Indeed, it has a whole lot of responsibilities specified by the Energy Act 2016, which include, among other things, overseeing the maximum economic extraction of oil and gas in the North sea. One might say that the provision of carbon capture and storage and maximum economic extraction of oil and gas in the North sea do not necessarily fit well together. Indeed, this is a debate we will come to later in our consideration of the Bill, but we need to be clear that as things stand, the supervision, licences and so on that are set out in this clause appear to rely on a slightly inappropriate authority. That does not necessarily mean that it is not going to work okay, but it does mean that it would be a good idea to have the actual name of the North Sea Transition Authority in law, as well as in characterisation.

After all, let us say that someone called Andrew Bowie decided that he wished to be known as Ziggy Stardust in future. Provided he could get people to agree that he really was Ziggy Stardust, that would be fine, except under circumstances where the law came to be applied. Mr Ziggy Stardust would find that under those circumstances, he had to refer to himself as Andrew Bowie. That is where we are with this transition authority at the moment. It is intention rather than fact, and it concerns me that we are writing into the Bill a number of references to the Oil and Gas Authority as if it were the North Sea Transition Authority, when the North Sea Transition Authority is an authority in name only. As I say, this is not something that one goes to the wall on—we do not oppose the clause—but I think it would be a good idea if the Government at least took some steps towards regularising the legal name and the daily name of the Oil and Gas Authority, so that its future purpose fits its legal position. Obviously, this is a bit of a precursor to a debate we will have later.

Andrew Bowie: I will not be drawn on whether or not a certain individual will be changing their name, and what position that would give them legally. However, I get the hon. Gentleman's point regarding the legal entity that is the Oil and Gas Authority and the references we are making to the North Sea Transition Authority in the Bill, and indeed in other pieces of legislation. I agree with him: there should be some clarification to that effect. I will have to go away and explore exactly what work would have to be done, presumably through legislation—primary or secondary—to effect a legal name change from the OGA to the NSTA, but I think it would help us all if that were undertaken. I will explore how exactly that would take place and the work that would have to be done.

In terms of whether an organisation that was set up following the oil price crash in 2014-15 with the explicit aim of supporting the oil and gas industry and maximising economic recovery can work, and can have within its purview licences being issued for carbon capture, usage and storage, I disagree: I think that they are perfect bedfellows. One complements the other; in fact, the skills and requirements of the companies involved in oil and gas extraction are very much involved in the operation, or potential operation, of CCUS and other connected technologies. Therefore, I think that the OGA, the NSTA—call it what you will—is the perfect authority that should hold the power to issue those licences and have regulatory control over that industry as we move forward.

Question put and agreed to.

Clause 98 accordingly ordered to stand part of the Bill.

Clauses 99 to 101 ordered to stand part of the Bill.

Clause 102

ACCESS TO INFRASTRUCTURE

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

Andrew Bowie: Regulations are in place governing access to carbon dioxide transport and storage infrastructure. The regulations set detailed requirements on how user access to transport and storage networks should be managed, including any disputes arising. This clause enables the Secretary of State to make new regulations regarding access to carbon dioxide transport and storage infrastructure that may amend, revoke or replace the existing regulations, which were implemented using the powers in section 2(2) of the European Communities Act 1972. Regulations made under this power may confer functions on any person, and may make provision regarding enforcement in relation to access rights. In relation to enforcement, regulations may create criminal offences or impose civil penalties, and may confer jurisdiction on a court or tribunal. Where regulations impose a civil penalty, they must also provide for a right of appeal against the imposition of the penalty. I commend clause 102 to the Committee.

Question put and agreed to.

Clause 102 accordingly ordered to stand part of the Bill.

Clause 103

FINANCIAL ASSISTANCE

2.45 pm

Andrew Bowie: I beg to move amendment 21, in clause 103, page 97, line 19, leave out

", out of money provided by Parliament,".

This amendment leaves out words that are not considered necessary. Leaving out the words also ensures consistency with the approach taken by clause 134 in relation to the power under that clause to provide financial assistance.

The Chair: With this it will be convenient to consider clause stand part.

Andrew Bowie: Government amendment 21 amends the financial assistance power in clause 103 by removing the words

"out of money provided by Parliament".

Those words are not considered necessary, and their removal ensures a consistent approach with the power to provide financial assistance under clause 134.

Clause 103 enables the Secretary of State to incur expenditure and provide financial assistance for the purpose of encouraging, supporting or facilitating activities for carbon capture, transport and storage, the production of low carbon hydrogen, and the transport and storage of hydrogen. This will enable the Government to deliver on their commitment of £20 billion investment in CCUS and support the establishment and subsequent expansion

[Andrew Bowie]

of the first two industrial clusters by the middle of this decade, and a further two CCUS clusters by 2030. Government support for CCUS will incentivise private investment, economically benefit our industrial heartlands and support in the region of 50,000 jobs by 2030.

It will also help enable the Government to deliver on their ambition for up to 10 GW of new low-carbon hydrogen production capacity by 2030, subject to value for money and affordability. That has the potential to unlock up to 12,000 jobs and £9 billion of private investment and could play a critical role in the UK's commitment to net zero by 2050. It could be supported by the development of hydrogen transport and storage infrastructure, which represents the critical next step in the growth of the hydrogen economy to meet our levelling-up ambition. I commend Government amendment 21 and clause 103 to the Committee.

Dr Whitehead: I am a bit puzzled. Government amendment 21 takes the words

"out of money provided by Parliament"

out of clause 103(1). It would then read: "The Secretary of State may provide financial assistance to any person for the purpose of encouraging" and so on. Those purposes are the transportation and storage of carbon dioxide, carbon dioxide capture facilities, low carbon hydrogen production and so on—all the things we have been talking about. The implication of taking those words out is that the Secretary of State may, from other money, provide this assistance. So it will come from somewhere else.

I would have thought that it is not particularly superfluous to actually set out where the money is coming from, which is Parliament, as it should be. It may be that in the Minister's zeal to simplify the Bill, which it certainly needs, he has gone a bridge too far with the amendment. That may allow a construction to be placed on the Bill that might not be what he intended, or what I would intend, but could be read into the Bill in the future.

I do not know where the Minister might get money from if not from Parliament—certainly not in the sums necessary to provide this kind of assistance—but we could conceivably say that the Minister might get the money from, for example, a large overseas donor. It is important that we specify where the money is coming from, and "provided by Parliament" does that. I do not think it is superfluous. We do not want to go to the wall and divide on the amendment, but I have some questions about it, and I think the Minister ought to have some questions in his mind as well.

Andrew Bowie: I thank the hon. Gentleman for his questions. The reason why we no longer consider the wording necessary is because, subject to parliamentary agreement of the Bill's provisions, clause 103 will provide for expenditure from the public purse on carbon capture, carbon dioxide transportation and storage, low-carbon hydrogen production, and hydrogen transport and storage. It is not necessary to specify that such expenditure will come from moneys provided by Parliament, so it is simply a case of simplifying the Bill. Financial assistance may be provided through grants, loans, guarantees or indemnities, or by provision of insurance, and it may be provided subject to conditions provided under a contract, but we feel that the wording in the Bill is superfluous, given that such assistance will be agreed, through the Bill, by Parliament in the first instance.

Amendment 21 agreed to.

Clause 103, as amended, ordered to stand part of the Bill.

Clause 104

Low-carbon heat schemes

Dr Whitehead: I beg to move amendment 89, in clause 104, page 98, line 35, at end insert

"which must include provision for—

(a) a ban on the installation of unabated gas boilers in new properties from March 2025; and

(b) a ban on the sale and installation of unabated gas boilers in all properties after March 2035."

This amendment would mean that any scheme the Secretary of State wanted to bring in would have to be based on the above timescales for banning the use of gas boilers by 2025/2035.

We now come to a new part of the Bill, which concerns new technology. The chapter that we are discussing concerns low-carbon heat schemes, and the clause allows the Secretary of State, by regulation, to make

"provision for the establishment and operation of one or more low-carbon heat schemes."

The clause also talks about targets and so on in relation to low-carbon heat schemes.

We think it might be a good idea—not that this is our policy—for the targets to which the clause refers to be specified in terms of what the Government have determined as their targets on the sale and installation of unabated gas boilers between March 2025 and March 2035. After all, those targets are in the public domain. The Government have stated them in the future homes strategy, the future homes standard and the energy security strategy. The Government have stated the targets in two forms: one is a ban on the installation of unabated gas boilers in new properties from March 2025, and the other is a ban on the sale and installation of unabated gas boilers in all properties after March 2035.

As things stand, those targets, which the Government have explicitly stated and which we would certainly go along with—we might want them to be a little more advanced, but we think they are about right—do not have any force. They are just aspirations. We think that putting them on the face of the Bill—after all, they are already Government policy—would not be hard for the Government to accept, but would enhance the validity and scope of those targets by ensuring that they are in the part of the Bill on low-carbon heat schemes, so that we can see everything together. It is a very modest and friendly suggestion, which I am sure the Government will have no problem adopting.

Andrew Bowie: As ever, I thank the hon. Gentleman for his well-thought-out remarks. The amendment would require that, in order to introduce a low-carbon heat scheme such as the planned clean heat market mechanism, the Government would also have to legislate for a ban on the installation of gas boilers in new build and existing properties respectively.

Committee members will know that the Government are introducing a future homes standard in 2025, which will require that new properties be equipped with low-carbon heating and high levels of energy efficiency from the outset, avoiding the need for future retrofitting. In addition, the Government have set out clearly the intention to phase out the installation of new natural gas boilers from 2035 in existing properties. There is therefore no disagreement that fossil fuel heating appliances have no long-term role. The recent volatility in global natural gas markets only makes that logic more apparent—on that, I think we are all in agreement.

However, the Government are firmly of the view that it would not be appropriate or helpful to make the ability to make regulations to launch a low-carbon heat scheme conditional on an entirely separate legislative measure such as an appliance ban, as the amendment proposes. Creating such a dependency would risk delaying or even forestalling the introduction of the planned clean heat market mechanism scheme altogether. Perversely, that would have the effect of constraining the development of the very markets and supply chains whose growth would be a prerequisite of phasing out natural gas boilers. I therefore respectfully and humbly urge the hon. Member to withdraw his amendment.

Dr Whitehead: I hear what the Minister has said. I am a little sorry that the Government cannot place their own policy in the Bill, but I hear that they will make plans to take that into account, and I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Dr Whitehead: I beg to move amendment 90, in clause 104, page 98, line 35, at end insert—

> "(1A) In making provision for the establishment of one or more schemes under subsection (1), the Secretary of State must produce a plan for low carbon heating in homes in which it is uneconomic or impractical to install heat pumps."

This amendment ensures that, when the Secretary of State is making a low carbon heat scheme, they have to provide a plan for low carbon heating in homes in which it is uneconomic/unfeasible to have a heat pump (large, rural, off-grid homes etc).

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

Clause stand part.

Clause 105 stand part.

Dr Whitehead: The amendment concerns a different aspect of clause 104. When the Secretary of State establishes one or more low-carbon heat schemes under subsection (1), they must produce a plan for low-carbon heating in homes in which it is uneconomic or impractical to install heat pumps.

There is considerable debate about exactly how efficacious heat pumps are. Some people consider that about 40% of heat pumps will not work very well or at all in certain kinds of housing, particularly poorly insulated homes, rural off-grid homes and some very large homes where quite a lot of additional work has to be done to facilitate the flow of central heating around the home. The heat pump itself may simply be unable to keep up with the inefficiency of the home in question, particularly in very large homes. Therefore, the heat pump is slaving away all hours of the day and night but never quite gets to the required room temperature.

One solution would be to retrofit all UK properties in such a way as to make them all very energy efficient. Therefore, heat pumps would pretty much work anywhere, but that is not the case at the moment. Other people say that there is a very small area within which heat pumps do not work, and there is also a debate about the size of heat pumps put in. Under certain circumstances, hybrid heat pumps can be installed where a boiler is working in conjunction with the heat pump so that the run-up is relative to the use of the two devices, rather than the heat pump trying to slave away all by itself.

There are all sorts of issues in the current debate about the extent to which heat pumps can or cannot do the entire job. Within that debate, whatever the final assessment of the points at which heat pumps really do not work, we know that, under some circumstances, some heat pumps do not, and pretty likely never will, work. For those properties, it is therefore important that, rather than leaving them as they are, they have other low-carbon plans available so that we do not decarbonise most heat in properties throughout the country but leave behind a residual that does its own thing with its current heating arrangements and the carbon implications.

3 pm

We must have low-carbon solutions across the board for heating in the UK, with much of that covered by heat pumps, some of that perhaps covered by district heating schemes and some of that perhaps covered by tank-based biogas feeding into an off-grid system. All those—not just heat pumps—are low carbon, but in different ways. The amendment suggests that the Secretary of State should produce a plan for that purpose so that when we address the decarbonisation of heating, which really is the continuing elephant in the room as far as decarbonisation is concerned, we have a comprehensive plan rather than one that may not apply to some people and we are not quite sure when things apply.

I emphasise that the amendment is not anti-heat pump or suggesting that we go down a path that does not entail the installation of very large numbers of heat pumps. It is about recognising the reality of certain circumstances in which heat pumps do not work well and having a plan for them so that we have a comprehensive arrangement for the future.

Andrew Bowie: I thank the hon. Gentleman for his comments on his amendment. The Government have been clear that a range of low-carbon technologies will be needed to play a role in decarbonising heating and reducing the nearly 50% of UK fossil fuel gas demand that heating represents. District and communal heat networks with low-carbon heat sources have an important role to play in all future heating scenarios, as do heat pumps. Work is ongoing with industry, regulators and others to assess the feasibility, costs and benefits of converting parts of gas networks to supply 100% hydrogen, for example, for heating. Other technologies such as solid biomass and liquid biofuels, as well as direct electric heating where appropriate, may also play a supporting role.

Although the proportion of UK buildings technically suitable for heating with a heat pump is very high—indeed, an estimated 90% of UK homes are technically capable of being heated by heat pumps—there is a small proportion of buildings for which a heat pump would not be an

[Andrew Bowie]

appropriate solution. The Government are working to develop strategic and policy options for all these technologies and for different building types. That work includes: trials and research and development to build towards strategic decisions on the role of hydrogen for heat in 2026; work on heat network zoning; and the forthcoming biomass strategy, which will assess the amount of sustainable biomass feedstocks available in the UK, including for biofuels, and the most strategic uses of those across the economy. It also includes action such as the green heat networks fund to scale up key markets where that is of strategic importance in all scenarios.

The clean heat market mechanism provided for by this measure is another key part of our policy action. Ultimately, it will be for the market—and consumers and building owners—to determine the best solutions and combinations of technologies within the performance standards and market signals that it is the role of His Majesty's Government to provide. Through establishing a strategic approach to developing that policy framework while building up key supply chains, the Government's "Powering Up Britain" plans have set us on track for net zero. Another plan seeking somehow to prescribe the right solution for every property is not what is needed right now. I therefore respectfully urge the hon. Member for Southampton, Test to withdraw the amendment.

Together with clauses 105 to 113 in this chapter, clause 104 provides for the establishment of a low-carbon heat scheme to encourage the installation of low-carbon heating appliances, such as electric heat pumps. As nearly half the UK's fossil fuel gas consumption each year is used to heat buildings, it is important that we accelerate the transition to clean, efficient alternatives, thereby bolstering our energy security.

The Government back the dynamism of industry to meet the needs of British consumers, which is why we are taking a market-based approach that puts industry at the heart of leading a transformation of the UK heating market, while keeping consumers in the driving seat with choice. Through the planned low-carbon heat scheme—the clean heat market mechanism—we will provide the UK's world-leading heating appliance industry with a policy framework that provides the confidence and incentive to invest in low-carbon appliances. That will make heat pumps a more attractive and simpler choice for growing numbers of British households.

Similar to other such market-based mechanisms, such as the UK emissions trading scheme, this provision enables targets to be set so that companies can act to develop the market. That will allow them to build up key supply chains with the confidence that all actors in the market are facing the same incentives and policy conditions. Together with wider policy action, the clean heat market mechanism will help to create the conditions for rapid innovation and investment in the sector. That will support the creation of new products and services that work for British consumers and building owners, and help to encourage companies to find efficiencies in time and cost as this and other markets grow.

In addition to providing the overarching regulation-making power, the clause also establishes a set of relevant low-carbon heating appliances to which such a scheme could apply. The subsequent enacting regulations for a scheme will then determine whether that scheme will apply to all the appliances in the clause or just a subset of them. As has been recognised by respondents to the first policy consultation on the proposals, a low-carbon heat scheme as provided for in this measure has the potential to kick-start a transformation of the heating market in the United Kingdom. That will mean that by the end of this decade, it is easier for millions of households to slash their energy consumption by making their next heating appliance an ultra-efficient electric heat pump.

The purpose of clause 105 is to require regulations that establish a low-carbon heat scheme to make certain provisions as to the scope of the new scheme. It also allows regulations to make further provisions in relation to how a scheme will apply to parties that are in scope. In particular, it requires the regulations to set out the scheme participants to whom targets will apply, the types of low-carbon heating appliance that will qualify towards meeting those targets, and the period or periods of time for which targets will be set.

Relatedly, clause 105 also enables the scheme regulations to specify circumstances in which credit for activities carried out outside a given period may be allowed to qualify in that period. That would, for instance, allow for an approach taken in several comparable trading schemes, where a degree of credit carry-over and target carry-over from one period to another is sometimes allowed, which is sometimes referred to respectively as "banking and borrowing". This and similar scheme design features could help to maximise the opportunity for scheme participants to successfully meet the scheme standards and build the heat pump market. That, of course, is a core aim of His Majesty's Government.

Dr Whitehead: I do not think I have anything further to say. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clauses 104 and 105 ordered to stand part of the Bill.

The Chair: Does the Whip wish to move the dilatory motion?

Dr Whitehead: We do not particularly want to adjourn.

Motion made, and Question put, That further consideration be now adjourned.—*(Joy Morrissey)*

The Committee divided: Ayes 7, Noes 5.

Division No. 2]

AYES

Afolami, Bim	Levy, Ian
Bowie, Andrew	Morrissey, Joy
Britcliffe, Sara	
Clarkson, Chris	Shelbrooke, rh Alec

NOES

Blake, Olivia	Western, Andrew
McCarthy, Kerry	
Owatemi, Taiwo	Whitehead, Dr Alan

Question accordingly agreed to.

3.11 pm

Adjourned till Thursday 8 June at half-past Eleven o'clock.

Written evidence reported to the House

EB13 Northern Gas Networks

EB14 Hydrogen UK

EB15 MCS Charitable foundation

EB16 Against Whitby Hydrogen Village group

EB17 The Wildlife Trusts

EB18 City of London Corporation

EB19 Dr Muir Freer, researcher, The University of Manchester