PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

ENERGY BILL [*LORDS*]

Sixteenth Sitting

Tuesday 27 June 2023

(Morning)

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Saturday 1 July 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 27 June 2023

[Caroline Nokes *in the Chair*]

Energy Bill [*Lords*]

9.25 am

The Chair: Before we begin, I remind Members that *Hansard* colleagues would be grateful if any speaking notes could be emailed to hansardnotes@parliament.uk. Please put electronic devices on silent, and tea and coffee are not allowed during sittings. The only refreshment permitted is water, which is available in the room. I might review my view on whether gentlemen can remove their jackets if it warms up later in the day.

New Clause 1

Smart meter roll-out for prepayment customers

"(1) The Secretary of State must ensure that all legacy prepayment meters are replaced with smart meters, unless the customer objects in writing, before the end of 2025.

(2) The Secretary of State must by regulations provide for an end to the practice of self-disconnections, such regulations to come into force within six months of the date on which this Act is passed.

(3) Regulations under subsection (2) may provide for, but are not limited to—

(a) the introduction of a social tariff for prepayment customers,

(b) the introduction of mechanisms to apply credit automatically if a prepayment customer runs out of credit, and

(c) the introduction of a mechanism to transfer a prepayment customer to credit mode automatically if they run out of credit." —*(Alan Brown.)*

Alan Brown (Kilmarnock and Loudoun) (SNP): I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to consider new clauses 2 and 38.

Alan Brown: It is a pleasure to serve under your chairmanship, Ms Nokes.

We are now in the final week of this Bill Committee, and Members will have spotted that a lot of Government new clauses and amendments have been tabled and accepted. In the spirt of fairness, the Government should also accept some of our new clauses and amendments; hopefully that is what is going to happen. Rather than getting into a debate, if the Minister wants to intervene and tell me which new clauses the Government will accept in the spirit of fairness, I would be happy to give way.

The Parliamentary Under-Secretary of State for Energy Security and Net Zero (Andrew Bowie): I would not like to put you off.

Alan Brown: Okay, so we go back to my monologue justifying why the Government should accept some of our new clauses, including new clauses 1 and 2.

Clearly, we should be grateful that energy prices are starting to fall, but the reality is that the cap on energy bills for an average household was set at £1,138 in April 2021. This month, Ofgem has set the cap at more than £2,000, so energy bills are still nearly double what they were two years ago. The reality is that many people are struggling badly with their energy bills, even though prices are falling, and those struggling the most are those with prepayment meters. People with prepayment meters can access credit of only £5 or £10. If they reach that credit limit, the lights go out—it is as simple as that. They cannot turn on the gas or electricity, and it is a real difficulty for people. It also means that if people cannot get out of the house for whatever reason—if they are ill or have just had a newborn kid—and have reached the threshold, they lose access to their energy by virtue of not being able to top up their meters.

It is unfair that people with prepayment meters pay higher standing charges. Frankly, it is an outrage that people who pay in advance for their energy are paying a premium to access it, whereas people like us in this room, who pay by direct debit, have access to credit and cheaper tariffs. As I say, the reality is that if someone is on a prepayment meter, they are going to struggle to pay their bills, they will pay more and they will face the difficulties associated with a lack of credit.

As End Fuel Poverty states:

"Imposition of a pre-payment meter is disconnection by the back door. When you can't top up the meter everything clicks off".

Forcing people to have prepayment meters means that those who are already struggling are put on to a system whereby they will be forced to ration, automatically disconnected when the credit limit is reached and more likely—this is the rub—to have a cold, damp home, with the long-term health implications that that brings, as well as the short-term heating and eating dilemmas.

It is estimated that 19% of housing stock across the UK is damp. The proportion rises to nearly a third, or 31%, for those on prepayment meters. In other words, if someone is on a prepayment meter, they are 65% more likely than the average person to live in a damp house. Some 51% of prepayment customers have health conditions or disabilities, so in many ways the existing system is punishing those who are more likely to require more energy in the first place. That, in a nutshell, is why a social tariff is needed for those with prepayment meters.

Research by Utilita indicated previously that as many as 14% of the 4.5 million households with prepayment meters did not choose to be on such tariffs, and what has been happening during the cost of living crisis is outrageous. For example, an investigation for the *i* paper revealed that since the end of lockdown energy firms have secured almost 500,000 court warrants to forcibly install meters in the homes of customers who are in debt. Freedom of information requests showed that in the first six months of last year there were 180,000 applications for such warrants.

We then had the bombshell coverage of an undercover reporter working for bailiffs, which exposed the cruelty of some bailiffs for what it was: revelling in the forced installation of prepayment meters, no matter the vulnerabilities of the customers. The officers of that debt company were working on behalf of British Gas, which of course said that it was shocked and that it did not advocate such a policy.

The rub is that some utility companies are using debt collection agencies routinely as part of their process to collect money that they believe they are owed. That set-up relieves utility companies of the burden of debt collection. More importantly, it stops them providing debt advocacy and interacting with customers, which is what is required. Meanwhile, the debt collection companies add their own fees just for reissuing bills to customers.

All that is why we tabled new clauses 1 and 2. Voluntary codes for prepayment meters will never be enough. It is quite clear that we will never know how many people were forced on to prepayment meters against their will, especially when smart meters can be switched remotely to prepayment mode without people even realising initially.

New clause 1 sets out the need for legacy prepayment meters to be switched to smart meters as long as consent is given. This is an enabling aspect, as smart meters will make it easier to implement the provisions of new clause 1(3), which will end the practice of so-called self-disconnection. The provisions include the consideration of a social tariff, and, most importantly, mechanisms to allow customers to access credit and not be cut off immediately as they would be with a £5 or £10 credit limit.

New clause 2 restricts the forcible use of prepayment meters. It does not prevent informed consent and agreement for people to move to prepayment mode, because some customers like it as a way of managing their debt, but what is important is consent and an understanding of what prepayment means. The provisions also give access to impartial debt counselling services before the switch to prepayment mode is needed. Subsection (2)(c) places a duty on the Secretary of State to assess and define customer vulnerabilities, because the current definition is too narrow and does not cover some people who should be classed as vulnerable. Lastly, subsection (3) confirms that switching smart meters to prepayment mode is considered the same as a legacy prepayment meter.

Too many people have been forced on to prepayment meters. We cannot allow that to continue and we cannot allow the door to reopen for energy companies. No matter what they say here and now when there is an immediate storm and a backlash, we need to protect people for good going forward, which is what new clauses 1 and 2 will do.

According to recent Government figures, £120 million-worth of the vouchers issued for customers in prepayment mode were still unclaimed at the start of June. There are only four days left until the deadline on 30 June, so I hope the Minister will update us on the outstanding balance of unclaimed prepayment meter credit vouchers. Having nearly 20% of vouchers unclaimed at the start of the month is indicative of a failed policy that does not support the most vulnerable in our society. Again, that is why we need new clauses 1 and 2 to protect those who sometimes cannot protect themselves.

Kerry McCarthy (Bristol East) (Lab): As always, it is a pleasure to see you in the Chair, Ms Nokes.

I rise primarily to speak in support of new clause 38, but it has quite a lot of overlap with new clause 2. Our new clause 38, on the restriction of the use of prepayment meters, says:

"The Secretary of State may by regulations restrict the installation of new prepayment meters for domestic energy use."

It makes provision to ensure that consumers have full and informed consent on the installation of a prepayment meter, and that vulnerable customers are not put on to prepayment meters. We heard from the hon. Member for Kilmarnock and Loudoun some of the reasons why we have shared concerns about that. Some of my points will be very familiar to the Minister if he followed the debate earlier this year, when it reached crisis point.

Citizens Advice estimates that the number of people moved on to prepayment meters reached 600,000 in 2022, up from 380,000 in 2021. We know that that comes at a cost to them. There is a poverty premium on some of the most vulnerable, and on people on the lowest incomes, because of the shift to prepayment meters, and their use should be restricted as a result. Those with prepayment meters are more likely to be in fuel poverty and facing significant debts already. We find ourselves in a situation in which those requiring the most support are being forced to pay the most and are given the least help.

Citizens Advice revealed at the start of the year, at the height of the energy crisis, that someone was being cut off from their energy supply every 10 seconds, with millions unable to afford to top up their prepayment meters. We also know that so-called voluntary self-disconnection was a thing. People simply could not afford it, so they would not necessarily feature in the numbers. Labour's call for a moratorium on the forced installation of prepayment meters was dismissed until the March Budget. The Secretary of State told the House on a number of occasions that he was talking to Ofgem and that plans were in motion, but during that period we were still hearing horrific stories about forced entry to people's houses, warrants being issued and energy companies continuing to go down that path.

Our view was very much that it was the Government and the energy regulator's responsibility to ensure that people were not left at home in the cold and the dark, yet we had to press incredibly hard before anything was achieved. Over the winter, more than 130,000 households that included a disabled person or someone with a long-term health condition were being disconnected from their energy supply at least once a week because they could not afford to top up. The same report also said that

"63% of PPM users who had disconnected in the last year said it had a negative impact on their mental health. This rises to 79% of disabled and people with long-term health conditions."

Really good work was done by organisations such as Citizens Advice, but it also took tireless investigations from UK newspapers to expose the scale of the crisis. An investigation by the *i* in December showed that magistrates were batch processing hundreds of warrants in the space of a few minutes to allow the forced installation of prepayment meters, with one court in the north of England approving 496 warrants in just three minutes. At some point, we were given reassurances that people's circumstances and vulnerabilities were being taken into account before the warrants were issued, but if nearly 500 are issued in three minutes, clearly they are not taking any information into account; it is very much a rubber-stamping exercise.

An undercover report by *The Times* in February highlighted how British Gas was employing debt collectors to break into people's homes. Among them were customers described in the staff notes as a woman in her 50s with "severe mental health bipolar", a woman who

[Kerry McCarthy]

"suffers with mobility problems and is partially sighted",

and a mother whose

"daughter is disabled and has a hoist and electric wheelchair".

We heard in debates at the time that many MPs had their own stories of constituents who were affected by the forced installation of prepayment meters; hopefully we will hear from some today to back up what we are calling for.

It was therefore a relief when action was taken in April, and a code of practice was introduced by Ofgem, but we have to wonder why the scheme is voluntary rather than compulsory. Just yesterday, the Committee on Fuel Poverty, in its annual report, expressed disappointment with Ofgem's code of practice, stating that it is

"disappointingly limited in ambition".

We have to wonder what the Government's role is in that. I argue that Ofgem has proven incapable of dealing with the situation and it is up to the Government to step up and take control. That is what we seek to achieve with the new clauses.

The code's voluntary nature still leaves too much power and judgment in the hands of energy suppliers, and the vulnerable and the voiceless should not be exposed to the dangers that prepayment meters pose, so I call on the Minister to give us some assurance that he accepts that it is the Government's responsibility to act in this case—we cannot continue to leave it to voluntary codes of practice—and to support new clause 38.

Andrew Bowie: It is an absolute pleasure to serve under your chairmanship again, Ms Noakes, for sitting 16 in the final week before we conclude our proceedings in Committee. I thank Members for tabling their new clauses.

New clause 1 places a duty on the Secretary of State to ensure that all legacy prepayment meters are replaced with smart meters before the end of 2025. The Government have been clear that our aim is for as many households as possible to benefit from smart metering, including those that prepay for energy, which is why we have set minimum installation targets for suppliers until the end of 2025. To ensure effective scrutiny and transparency, large suppliers are also required to publish their performance against their targets, broken down by credit and prepayment mode. That ensures that they have strong incentives to deliver.

Although we agree with the hon. Member for Kilmarnock and Loudoun that smart prepayment is highly superior to legacy prepayment meters, it is also true that those customers who would benefit the most from prepayment meters can be among the hardest audiences to reach and the most vulnerable in our society. It is therefore critical that we tread carefully and do not place unrealistic targets in statute that may cause unintended consequences.

As drafted, the new clause could result in the prioritisation of the replacement of traditional prepayment meters. That may inadvertently deprioritise smart meter installation for credit consumers, many of whom are in vulnerable circumstances. Data from Ofgem indicates that around 70% of those with disabilities pay by direct debit and may therefore benefit from the automated readings that smart meters deliver.

Let me turn to the requirement to end self-disconnections within six months of the Bill becoming law. It is critical that the market delivers a fair deal for consumers, with an energy market that is resilient and investable over the long term. Ofgem's recently published code of practice on prepayment is clear that when self-disconnection occurs, suppliers must make multiple attempts to contact the customer to understand the reasons for self-disconnection and offer appropriate support, including additional support credit. If frequent or prolonged periods of self-disconnection are identified, energy suppliers should assess whether a prepayment meter remains a safe and practicable option for that consumer.

As announced in the 2022 autumn statement, His Majesty's Government have committed to work with consumer groups and industry to consider the best approach to consumer protection from April 2024, as part of a wider retail market reform. In addition, as announced at the spring Budget, we are keeping the energy price guarantee at £2,500 for an additional three months from April to June. That means we have covered nearly half a typical household's energy bill through the energy price guarantee and energy bill support schemes since October, with a typical family saving £1,500. That is in addition to the expanded warm home discount scheme, which has been extended until 2026 and provides £475 million in support per year in 2020 prices.

New clauses 2 and 38 would allow the Secretary of State to restrict the use of prepayment meters, especially in relation to vulnerable consumers or where consumers are not aware that they are being moved to a prepayment mode. It is of course critical that our most vulnerable energy users are protected. The findings in *The Times* regarding British Gas customers were shocking and completely unacceptable. The Government acted quickly to tackle that issue of inappropriate prepayment meter use, and the Secretary of State wrote to energy suppliers insisting that they revise their practices and improve their action to support vulnerable households.

Following that intervention, all domestic energy suppliers agreed to pause the forced installation of prepayment meters and the remote switching of smart meters to prepayment mode. Ofgem rules are clear that suppliers can install a prepayment meter to recover a debt only as a last resort. They also require energy suppliers to offer a prepayment service only when it is safe to do so, with clear obligations on energy suppliers regarding support for customers in payment difficulty. The Secretary of State has called for more robust Ofgem enforcement on those issues, and Ofgem has responded by announcing a further review of supplier practices relating to prepayment meter customers.

Kerry McCarthy: The Minister may be about to come to this point, but I am wondering how it is going—does he know how many warrants are now being issued by the courts? Is he aware of statistics on how many prepayment meters are now being installed or on the type of customers who are being put on them?

Andrew Bowie: I do not have the exact numbers at my fingertips, but I am happy to write to the hon. Lady with that information. I can tell her that the senior presiding judge has ordered magistrates courts to immediately

stop authorising warrants for energy firms to forcibly install prepayment meters while the process by which suppliers bring forward such applications is being reviewed.

9.45 am

Dr Alan Whitehead (Southampton, Test) (Lab): In his reply to my hon. Friend the Member for Bristol East, will the Minister expand briefly on his understanding of the meaning of the word "pause" in relation to the forcible installation of prepayment meters by energy companies? As far as I am aware, there is no time set for that, nor is it subject to any other actions that the Government may take. Is it the Minister's understanding that the pause is strictly time-limited and that practices may start again at the end of it?

Andrew Bowie: The pause will be until Ofgem has finalised the review of supplier practice in relation to prepayment meter customers. That is what we expect, anyway, because in addition to what I have said this morning, the Secretary of State has told Ofgem to toughen up on energy suppliers and to investigate customers' experiences of how their supplier is performing. Following that, Ofgem established a new customer reporting system for households to pass on their experiences of how they are being treated. We are approaching this across the board. We believe, however, that any ban on the forced installation of prepayment meters would risk a build-up of customer debt. Unpaid debts increase costs for all energy consumers and could pose a risk to supplier stability.

To address issues around the forced installation of prepayment meters, Ofgem has recently published a new code of practice, as I mentioned. The code has been agreed with energy suppliers to improve protections for customers being moved involuntarily to a prepayment meter. It ensures better protections for vulnerable households, increased scrutiny of supplier practices, and redress measures where prepayment meters were wrongly installed. It includes provisions to prevent involuntary installations for all high-risk customers, including those dependent on powered medical equipment, people over 85, and households with residents with severe health issues. It also includes a requirement for suppliers to reassess whether prepayment remains the most suitable and preferred payment method for a customer once they have repaid debts. Suppliers must agree to any request from a prepayment customer who is clear of debt to move off a prepayment meter.

The rules to which suppliers must adhere regarding the installation of prepayment meters are set out in the licence conditions set by Ofgem as the independent regulator. Ofgem will undertake a formal statutory consultation process to modify suppliers' licence conditions in line with the code ahead of this winter. This will allow Ofgem to use its full enforcement powers to enforce compliance with the code, ensuring that consumers are protected and that the poor practices that we have seen will not happen again.

It is vital that, as the independent regulator, Ofgem continues to set the rules to which energy suppliers must adhere in licence conditions. New clauses 2 and 38 would risk taking that power away from Ofgem. Allowing the Government to set rules outside the licence conditions would threaten Ofgem's independence and its ability to regulate suppliers effectively.

The Government have always been clear that action is needed to crack down on the practice of forcing people, especially the most vulnerable, on to prepayment meters. We will continue to work closely with Ofgem and industry to see that the code leads to positive changes for vulnerable consumers. I hope that hon. Members are reassured by my explanation and that they might feel able to withdraw their new clauses.

Alan Brown: Despite what the Minister says, I am not fully convinced by those arguments. With the leave of the Committee, I will not press new clause 1 to a vote, but it is important to understand that new clause 2 would not even mean an outright ban on the installation of prepayment meters; it would just put protections in place so that people are not forced on to prepayment meters. It would also address debt build-up by ensuring that people are given access to debt counselling, for example. New clause 2 is about working with customers and providing additional protections, so I would certainly like to press it to a vote.

On new clause 1, I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 2

RESTRICTION OF THE USE OF PREPAYMENT METERS

"(1) The Secretary of State may by regulations restrict the installation of new prepayment meters for domestic energy use.

(2) Regulations under subsection (1) may set conditions for energy suppliers in relation to the installation of new prepayment meters, including—

(a) ensuring consumers have given full and informed consent to the installation of a prepayment meter after having been offered access to a recognised debt counselling agency;

(b) ensuring vulnerable consumers are not required to use prepayment meters;

(c) publishing a non-exhaustive list of circumstances in which a consumer is considered vulnerable, including financially vulnerable; and

(d) ensuring consumers have a clear, timetabled route back to standard meters once specified conditions are met.

(3) In this section 'installation of new prepayment meters' includes switching existing energy meters to a prepayment mode."—*(Alan Brown.)*

This new clause would allow the Secretary of State to restrict the use of prepayment meters, especially in relation to vulnerable consumers or where consumers are not aware they are being moved over to a prepayment mode.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 7, Noes 9.

Division No. 13]

AYES

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

NOES

Afolami, Bim	Gideon, Jo
Bowie, Andrew	Jenkinson, Mark
Britcliffe, Sara	
Clarkson, Chris	Levy, Ian
Fletcher, Katherine	Morrissey, Joy

Question accordingly negatived.

New Clause 5

NET ZERO COMPATIBILITY TEST

"The Secretary of State must by regulations make provision, with effect from the date on which this Act is passed, for all future legislative Impact Assessments to include a 'Net Zero compatibility test'."—*(Alan Brown.)*

Brought up, and read the First time.

Alan Brown: I beg to move, That the clause be read a Second time.

This fairly simple clause seeks for the Government to include in all future legislative impact assessments a net zero compatibility test. Achieving net zero is vital to save to planet. The Government have legally binding targets to hit net zero by 2050, and this Committee has agreed to Government amendments that give Ofgem a statutory duty to consider net zero. If the regulator is obliged to consider net zero, and if the Government have legal targets to achieve net zero, surely it makes sense to legislate for the Government to undertake a net zero compatibility assessment, so as to ensure that policies will not have an adverse impact on the legally binding target to achieve net zero. That would result in transparency on whether policies are adversely or positively impacting on the route to net zero. Such transparency would also be of assistance with costs, especially given the net zero cynics among Government Members. Importantly, Energy UK, the trade body that represents energy companies, also says that it supports a net zero compatibility test.

Given what I have outlined, I do not see why the Government would not accept the new clause. If the Government can carry out impact assessments of the effect of legislation on small businesses, why not carry one out on the wider, legally binding target to hit net zero? I hope that the Minister will accept the new clause.

Andrew Bowie: I thank the hon. Members for Kilmarnock and Loudoun and for Argyll and Bute (Brendan O'Hara) for tabling their new clause. The Government agree with the intention behind it, but we believe that it is unnecessary. We are already taking a cross-Government and systematic approach to embedding net zero and climate into Government policies and decision-making processes.

The creation by the Prime Minister of the new Department for Energy Security and Net Zero, which I am proud to serve, means that there is an entire Department dedicated to delivering on our climate ambitions. The Department's focus, alongside energy security, is driving overall delivery of net zero and maximising the economic opportunity that the transition presents. The new Department's officials work with counterparts across Government to co-ordinate action, working particularly closely with the Cabinet Office and the Treasury to ensure that net zero is prioritised in Government policy and decision making, and that it aligns with our wider priorities.

We are also working with industry and stakeholders, which has led to the creation of the net zero council, the green jobs delivery group, the jet zero council and the local net zero forum. We also work closely with our devolved Administration colleagues. We have also gone further by creating the Domestic and Economic Affairs (Energy, Climate and Net Zero) Committee, which brings together senior Ministers from across Government to ensure a co-ordinated approach to delivering net zero across government. Additionally, we have provided Green Book supplementary guidance on the valuation of energy use and greenhouse gas emissions for appraisal. That guidance helps officials when undertaking options appraisal for policies, programmes and projects; building business cases; and when conducting impact assessments. I hope that provides the hon. Member with the reassurance that he needs to withdraw his new clause.

Alan Brown: The Minister smiled when he said he hoped that that would satisfy me. There is no surprise that it does not. He outlined the creation of the new Department for Energy Security and Net Zero, and the important thing is that the net zero compatibility test would apply to all legislation that the Government introduce from every Department, so it would make every Department start to consider the net zero implications of its policies. That is what is critical about this new clause. I do not wish to withdraw the motion.

Question put and negatived.

New Clause 6

JUST TRANSITION COMMISSION

"(1) Within six months of the date on which this Act is passed the Secretary of State must by regulations establish a body to be known as the 'Just Transition Commission'.

(2) Regulations under subsection (1) must provide for the purposes of the Just Transition Commission to include—

(a) the provision of scrutiny and advice on the ongoing development of just transition plans;

(b) the provision of advice on appropriate approaches to monitoring and evaluation; and

(c) consultation with such persons as the Secretary of State shall consider appropriate in relation to the delivery and likely impact of just transition planning.

(3) The Just Transition Commission must produce and lay before Parliament an annual report of its work."—*(Alan Brown.)*

Brought up, and read the First time.

Alan Brown: I beg to move, That the clause be read a Second time.

I shall potentially continue my losing streak here. This new clause is about setting up a just transition commission. The Committee may be aware that the Scottish Government set up a just transition commission a couple of years ago, which is effectively world leading. It brings together independent academics, and representatives from trade unions and right across industry. It advises the Scottish Government on policy implications and what is needed as we move forward to a just transition to ensure that workers are not left behind and do not lose their jobs, to be effectively left on the scrapheap.

This important body came together and has brought transparency to the Scottish Government, and I want to see that replicated at Westminster. It would be good for the Government as a way to work across the sector and the industry, with trade unions and academics to provide expertise. I look forward to hearing the Minister's

thoughts on that, explaining why they are probably not going to do this in the short term. I will be happy to be proved wrong on that.

Kerry McCarthy: We certainly need more focus, and to hear more from the Government about ensuring that this is a just transition. We know that we cannot reach net zero without the skilled workforce to deliver it, and without decisive action to ensure that no community is left behind. It is illustrative to look at what Joe Biden is doing with the Inflation Reduction Act in the United States, where a lot of focus is on energy-intensive states such as Texas to ensure that, as they move away from fossil fuel exploration, the jobs are still there. We all know what happened, as we debated earlier in this Committee, when the coalmines were closed with the lack of a strategy to ensure good, decent jobs for people left behind. We saw whole communities abandoned and, in some parts of the country, turned into basic commuter villages, rather than having a home-grown industry.

It has rightly been said that net zero is the economic opportunity of the century, but it represents a potential threat to those who, at the moment, rely on traditional industries. That is not because oil and gas extraction will immediately cease, or because coal-fired blast furnaces will suddenly be switched off. It is because our reliance on the old way of doing things will gradually decline and, as a result, the skills required will evolve.

Workers in those industries need to know that there is a plan. As I said, we cannot allow the mistakes of the 1980s to be repeated. We need a forward-looking industrial strategy, to make it clear that the transition to net zero is an opportunity to reinvigorate our industrial heartlands and coastal communities and to make it clear that that means a higher quality of work, better regulation of employment practices and greater diversity in the sector. This is quite a complex task. Some of it will be industry-led, but we know, particularly when we get further down the supply chain to those clusters of jobs that will be based around the traditional industries, that those smaller companies will need support to diversify as well.

10 am

At the moment, decarbonisation is heavily dependent on overseas skills and imported products. We have not seen a response from this Government to the Inflation Reduction Act. We are told that it might come in the autumn, but we also get mixed messages from Ministers—from the Secretary of State, for example, and from the Minister of State in the Department—saying that it is simply a case of the US racing to catch up with us and we are far ahead of the curve, as though we do not need to respond to what is happening in other countries.

We know, because of labour shortages, that in some areas money is simply not being spent. An example is the green homes grant. The local authority delivery scheme had a 35% underspend. I will be in Westminster Hall this afternoon to talk about retrofitting of homes. Some 19 million homes need retrofitting to bring them up to decent energy efficiency standards. There does not seem to be a strategy for that workforce to be there, and that will in part mean people transitioning from more traditional jobs—such as installing gas boilers—to installing heat pumps, for example. There is no clear road map; we do not have an industrial strategy.

The TUC was calling for a just transition commission years ago. My concern about the SNP new clause is that setting up a just transition commission at some point in the future could lead to further delay. We had the Green Jobs Taskforce, and following that, the Green Jobs Delivery Group. Next year, we are due to get the net zero and nature workforce action plan. I commend Scotland for setting up its Just Transition Commission, but the Prospect union has warned that Scotland still

"lacks a clear strategy for job creation"

and it "falls disappointingly short" in this "vital area" at the moment. Scotland was promised a jobs revolution, but not even a quarter of the green jobs promised by the SNP in 2010 have materialised.

Alan Brown: The hon. Lady will be aware that procurement rules and contracts for difference auctions, for example, are reserved to Westminster, so the Scottish Government do not have control of that. There is a whole supply chain aspect that is not developed, and that is partly because of these procurement rules—the fact that the cheapest price takes all. We want that amended at some time.

Kerry McCarthy: I was about to move on to that, because it is important. On the Government's lack of action on developing a strategy, I have been trying to ask questions about the Green Jobs Delivery Group, such as when we will actually see some delivery and outcomes and how that will feed through into a skills strategy and an industrial strategy, but I have been getting very little by way of response.

Friends of the Earth Scotland has called on both the UK Government and the Scottish Government to ensure greater worker representation in their transition planning through existing bodies such as the UK's Green Jobs Delivery Group and the Just Transition Commission in Scotland. It says that at the moment there is little support provided for high-carbon workers to find alternative jobs, to facilitate retraining where necessary, or to lighten the financial burden of training currently borne by the workers.

Last month, the Climate Change Committee briefed that the

"Government has policy levers at its disposal to support workers during the transition"

but warned that

"clearer plans are needed to harness the potential of the transition and to manage its risks."

Work has been done. As I said, my concern is about focusing on setting up a commission rather than just calling on the Government to actually come forward with a clear strategy, a clear road map, particularly on the skills front, and to link that up. I do not know whether the Minister will accept my analysis of the situation, but it seems very fragmented. It is left, in large part, to big companies in the supply chain to try to ensure that the workers of the future are there as they transition. There is not a strategy for the smaller companies in the supply chain unless the big companies are leading that.

Alan Brown: I understand what the hon. Lady is saying about wanting the Government to get on with it sooner, but does she not agree that commissioning a body of experts will provide better advice, enabling the Government to develop their strategy better?

Kerry McCarthy: As I said, the Government have had their green jobs taskforce, and now they have the delivery group. They are also doing things on the nature side. I would argue that they should have had all the information and expert advice; it is all available out there.

What we need are more incremental steps. Rather than setting up a body, we need something concrete from the Minister on what the Government are doing, for example, to ensure that further education colleges are tying up with the potential needs of businesses in their areas. Some incredibly good further education colleges are working on that—going into schools, working with businesses and encouraging young people to look at those careers—but as I said it is piecemeal and depends on the quality of the college, and the relationship with other agencies in the local area. I sympathise with focusing on a just transition, but I have concerns about whether setting up another body is the way to do it.

Andrew Bowie: I thank the hon. Members for Kilmarnock and Loudoun and for Bristol East for their contributions. The Government agree with the intention behind the new clause; however, we already view transition as a consideration embedded across all Government policy actions. We are committed to managing the transition to net zero in such a manner that the positive opportunities are maximised for the economy and the population, while protecting individuals, communities and the economy.

Given that the majority of the low carbon economy lies outside London and the south-east of England, Government action to deliver our net zero commitment and build a low carbon economy will help to level up the UK and spur on the transition. That is demonstrated through the North sea transition deal agreement in March 2021, through which the UK became the first G7 country to agree a landmark deal to support the oil and gas industry's transition to clean, green energy, while supporting 40,000 jobs in industrial heartlands across the UK.

Since delivering a net zero workforce transition needs joint action by Government, industry, and the education sector, the Government have established the green jobs delivery group. The group is headed up by Ministers and business leaders to act as the central forum for driving forward action on green jobs and skills, and has committed to publishing a net zero and nature workforce action plan in 2024, which will consider the workforce transition. We will continue to join up across the devolved Governments, who have already made excellent progress, with the Welsh Government having launched their net zero skills plan in March 2023, and the Scottish Government and Skills Development Scotland having launched their climate emergency skills action plan 2020-2025 in 2020.

Alan Brown: On working with the devolved Governments, does the Minister recognise that it is time for the UK Government to match fund the £500 million just transition fund that the Scottish Government have put in place?

Andrew Bowie: I thank the hon. Member for his intervention, and point him to the remarks that I just made regarding the huge investment that we are already making in the transition, the fact that we were the first G7 nation to sign a transition deal, and the £100 billion of private sector investment by 2030 that we hope to see, and that we are driving into British industries, supporting 480,000 green jobs by the end of the decade. We are looking to meet that target, unlike the Scottish Government's green jobs target, which of course they have not met—alongside failing in four years out of five to meet their climate change targets, as was announced just last week. Since delivering a net zero workforce transition needs joint action by Government and industry, as I have said, we are continuing in that regard.

With respect to the scrutiny advised in the new clause, the Government already report progress on delivering our net zero ambitions through multiple channels—through parliamentary Select Committees, the Public Accounts Committee, independent bodies such as the National Audit Office, and—under the Climate Change Act 2008—the Climate Change Committee. I should point out that the hon. Member's colleague and friend, the hon. Member for Na h-Eileanan an Iar (Angus Brendan MacNeil), has recently taken up the chairmanship of the Energy Security and Net Zero Committee, and will, I am sure, ably hold my Department to account. I hope that that provides the hon. Member for Kilmarnock and Loudoun with the reassurances that he needs to withdraw the motion.

Olivia Blake (Sheffield, Hallam) (Lab): It is a pleasure to serve under your chairmanship, Ms Nokes. I have asked a few written questions in this space and I agree wholeheartedly with my hon. Friend the Member for Bristol East that the just transition should have already started for many workers. A survey two years ago found that workers were looking to move from the fossil fuel industry to renewables but that they were being put off by training fees. I have asked repeatedly about that.

I asked the Department whether it knew what the average cost of retraining would be for oil and gas workers but was told that it does not know or does not hold that data. However, I have heard at first hand from oil and gas workers who want to move into renewables that they face training costs of many thousands of pounds and that the quality of such training is questionable in some places. Government inaction risks leaving those workers behind when they want to be part of the transition and already have transferrable skills in those industries. I also recently asked a question about the Department's discussions with the offshore wind industry on recognising an energy skills passport to help oil and gas workers, but was told in response that no such discussions have taken place.

I thank the Minister for his kind words about a transition. However, when will we see action for oil and gas workers? When will the inaction turn into action and delivery so we can get on with developing the green skills we need in this country to deliver net zero and compete in a global market?

Andrew Bowie: I thank the hon. Member for Sheffield, Hallam for the tone of her words. The Government believe that the best way to secure jobs for oil and gas workers is to continue to give them support and, indeed, to support investment into the North sea, which not only provides secure employment for them now and

into the future but provides for our energy security needs, which is something the Labour party might take note of moving forward.

As a representative of a constituency in the north-east of Scotland, I am fully aware of the pressures that workers in the North sea oil and gas industry face and the desires of many of them to transition to new green jobs. We see that in the city of Aberdeen, which is transitioning from being the oil and gas capital of Europe to the energy capital of Europe. That is why we have set up our green jobs delivery group and why we are identifying recommendations and actions for central and local government, industry and business, and the devolved Administrations.

We are also exploring how we can support local areas to deliver a successful transition, and the Department for Work and Pensions is expanding sector-based work academy programmes to help those who are out of work develop the skills they need to re-enter the job market. The programme runs in England and Scotland and is developed by jobcentres in partnership with employers and training providers. The Government take that incredibly seriously and I have a particular interest in the matter.

I thank the hon. Lady for her comments, but we are clear that it is very important to support people who are reskilling and upskilling from traditional oil and gas jobs into new green jobs, while also investing in our oil and gas industry to ensure that investment continues to support the traditional jobs that will be needed for some time yet.

Alan Brown: The Minister puts forward arguments that suggest the Government are doing a lot in terms of green jobs. The Government are doing some things, but not enough. That is the reality.

To go back to my intervention on the hon. Member for Bristol East, the CfD rules should have been changed years ago to incentivise supply chain development and create those homegrown jobs. Perhaps a just transition commission would have provided advice on how that procurement could have been taken forward. I want to revisit that. The Government should think and should speak to people engaged in the just transition commission. In the meantime, I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

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."—*(Dr Whitehead.)*

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

Brought up, and read the First time.

10.15 am

Question put, That the clause be read a Second time.

The Committee divided: Ayes 7, Noes 9.

Division No. 14]

AYES

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

NOES

Afolami, Bim	Gideon, Jo
Bowie, Andrew	Jenkinson, Mark
Britcliffe, Sara	Levy, Ian
Clarkson, Chris	Morrissey, Joy
Fletcher, Katherine	

Question accordingly negatived.

New Clause 38

RESTRICTION OF THE USE OF PREPAYMENT METERS

"(1) The Secretary of State may by regulations restrict the installation of new prepayment meters for domestic energy use.

(2) Regulations under subsection (1) may set conditions for energy suppliers in relation to the installation of new prepayment meters, including—

(a) ensuring consumers have given full and informed consent to the installation of a prepayment meter;

(b) making provision to ensure vulnerable consumers are not put onto prepayment meters.

(3) In this section 'installation of new prepayment meters' includes switching existing energy meters to a prepayment mode."—*(Kerry McCarthy.)*

This new clause would allow the Secretary of State to restrict the use of prepayment meters, especially in relation to vulnerable consumers or where consumers are not aware they are being moved over to a prepayment mode.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 7, Noes 9.

Division No. 15]

AYES

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

NOES

Afolami, Bim	Gideon, Jo
Bowie, Andrew	Jenkinson, Mark
Britcliffe, Sara	Levy, Ian
Clarkson, Chris	Morrissey, Joy
Fletcher, Katherine	

Question accordingly negatived.

New Clause 39

GUARANTEE FOR CONSUMER PROTECTION

"(1) Within three months of the day on which this Act is passed, Ofgem must set out a new licence to operate for heat networks that guarantees equivalent protections for heat network customers compared when compared with electricity and gas customers.

(2) Protections under subsection (1) must include but are not limited to—

(a) a price cap for heat network customers;

(b) a licence condition to 'treat customers fairly', analogous to Licence Condition 0 of the electricity and gas supplier licences; and

(c) a licence condition addressing 'ability to pay', analogous to Licence Condition 27A of the electricity and gas supplier licences."—*(Dr Whitehead.)*

This new clause would guarantee that heat network customers receive equal treatment to electricity and gas customers.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 7, Noes 9.

Division No. 16]

AYES

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

NOES

Afolami, Bim	Gideon, Jo
Bowie, Andrew	Jenkinson, Mark
Britcliffe, Sara	Levy, Ian
Clarkson, Chris	Morrissey, Joy
Fletcher, Katherine	

Question accordingly negatived.

New Clause 41

ENERGY PERFORMANCE REGULATIONS RELATING TO EXISTING PREMISES

"(1) Within six months of the date on which this Act is passed the Secretary of State must make regulations—

(a) amending the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (S.I. 2015/962) to require that, subject to subsection (2), all tenancies have an energy performance certificate (EPC) of at least Band C by 31 December 2028; and

(b) amending the Energy Efficiency (Private Rented Property) (England and Wales) (Amendment) Regulations 2019 (S.I. 2019/595) to raise "the cost cap" to £10,000.

(2) Exemptions to subsection (1) apply where—

(a) the occupier of any premises whose permission is needed to carry out works refuses to give such permission;

(b) it is not technically feasible to improve the energy performance of the premises to the level of EPC Band C; and

(c) another exemption specified in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 has been registered in the PRS Exemptions Register.

(3) Within six months of the date on which this Act is passed the Secretary of State must make regulations—

(a) amending the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (S.I. 2015/962) to enable Local Authorities to give notice to landlords that they wish to inspect a property, requesting permissions from landlords and any tenants in situ at the time to carry out an inspection at an agreed time;

(b) to expand the scope of the current PRS Exemptions Register and redesign it as a property compliance and exemptions database;

(c) to require a post-improvement EPC to be undertaken to demonstrate compliance;

(d) to require a valid EPC be in place at all times while a property is let; and

(e) to raise the maximum total of financial penalties to be imposed by a Local Authority on a landlord of a domestic PRS property in relation to the same breach and for the same property to £30,000 per property and per breach of the PRS Regulations.

(4) The Secretary of State may make regulations to—

(a) enable tenants in the private rented sector to request that energy performance improvements are carried out where a property is in breach of the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015; and

(b) make provision for a compensation mechanism where a tenant is paying higher energy bills as a result of a property not meeting the required standard."—*(Dr Whitehead.)*

This new clause requires the Secretary of State to strengthen minimum energy efficiency standards in the private rented sector, expands the compliance regime available to local authorities, and gives the Secretary of State the power to create a compensation mechanism for tenants adversely affected by non-compliance. These measures are derived from the government's preferred policy option in the 2020 "Improving the energy performance of privately rented homes" consultation.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 9.

Division No. 17]

AYES

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

NOES

Afolami, Bim	Gideon, Jo
Bowie, Andrew	Jenkinson, Mark
Britcliffe, Sara	Levy, Ian
Clarkson, Chris	Morrissey, Joy
Fletcher, Katherine	

Question accordingly negatived.

New Clause 43

NORTH SEA TRANSITION AUTHORITY

"(1) Part 1 of the Energy Act 2016 is amended as follows.

(2) In section 1(1) for 'is renamed as the Oil and Gas Authority' substitute 'is renamed as the North Sea Transition authority'.

(3) In Part 1 for all references to 'the OGA' substitute 'the North Sea Transition authority'.

(4) In section 8(1) after 'so far as is relevant' insert—

'Ensuring the Transition to Net zero

The need to ensure an effective transition from high carbon exploration production and exploitation of the North Sea basin to a low carbon exploitation

of all North Sea basin resources compatible with the United Kingdom's net zero commitments.'"—*(Dr Whitehead.)*

This new clause seeks to place on the face of the Bill the de facto change in name of the Oil and Gas Authority to the North Sea Transition Authority and provides an additional matter for which the authority must have regard in line with its change of name.

Brought up, and read the First time.

Dr Whitehead: I beg to move, That the clause be read a Second time.

We come now to something that has run as a bit of a leitmotif through our discussions in Committee, which is the position of the North Sea Transition Authority—I was going to say the "so-called" North Sea Transition Authority, but I accept that it is the North Sea Transition Authority. However, as we have pointed out in previous debates, the name came about by means I am not entirely clear about, as opposed to being set in legislation.

In a previous debate, we discussed the circumstances under which somebody might go about their daily business calling themselves a particular appellation but find out that there were legal consequences to using a name that was not actually theirs, even though for daily purposes that name was reasonably accepted. That is the key point as far as the North Sea Transition Authority is concerned, because legally the North Sea Transition Authority is actually the Oil and Gas Authority. It is not just legally the Oil and Gas Authority; it is an authority that was effectively set up by the Energy Act 2016.

If we turn to the pages of the 2016 Act, we see a number of functions that the OGA must undertake. It is not the case that the OGA did not exist at all in any form prior to the 2016 Act's passing into law; it was originally incorporated under the Companies Act 2006 as the Oil and Gas Authority Limited. The 2016 Act made a particular point of taking that limited company and transforming it by legislation. It states:

"The company originally incorporated under the Companies Act 2006 as the Oil and Gas Authority Limited is renamed as the Oil and Gas Authority."

There it is in the legislation. The 2016 Act then made a number of transfers of functions from the OGA: the transfer of property rights, staff and so on. It is fairly clear from that that the Government at the time of the passage of the 2016 Act had a very real intention as to the function, activity and so on of the Oil and Gas Authority: they set it all out in the legislation. They were clear and specific on that. They were also clear and specific on what the OGA should be doing.

It was not just guidance on what the OGA should be doing; it was set out in the legislation under section 8, "Matters to which the OGA must have regard". It needed to

"minimise public expenditure relating to, or arising from, relevant activities."

It was concerned with the

"need for the United Kingdom to have a secure supply of energy."

It had a function entitled "Storage of carbon dioxide", and the OGA needed to

"work collaboratively with the government".

By the way, regarding a debate we will come to later, the OGA also had at least an implied function with respect to the maximum economic extraction of oil and gas from the North sea. It was clear that the OGA had a number of things it should do, and that it was able to collect samples and regulate the oil and gas industry in the North sea, all within the overall umbrella of maximising economic recovery of that oil and gas in the North sea and elsewhere.

The OGA had a clear set of legal requirements and a clear set of duties and responsibilities, but the Government's decision—I do not know whose decision it was, and it would be helpful if the Minister clarified that for me—that, henceforth, the OGA should be called the North Sea Transition Authority was, as far as I can see, conceived and carried out on no legal basis whatever. It was simply a device, which I guess aligned with the North sea transition deal, which was originally entitled the North sea oil and gas deal, whose title was, during discussions on the deal, so I understand, changed. That was when the Government had an industrial strategy, and this was put forward as a strategy for oil and gas in the North sea, although it also included elements of what we might say was a transition.

The North sea oil and gas companies undertook to change their position on flaring, for example, and undertook to do various things about the electrification of the North sea oil rigs and various other things. However, notably in the North sea transition document, there was no mention of, nor any agreement on, the management of production in the North sea, or indeed management of exploration or any other activities that were going on. This was a limited document that might be described as a North sea transition document, and an even more limited change to the name of the North sea OGA, which was renamed the North Sea Transition Authority. I presume that the name change arose from the basement of the Department for Business, Energy and Industrial Strategy as a nod in the direction of that particular document, but that is all.

The North Sea Transition Authority has done some mighty work in respect of its new function. It has changed its notepaper, I think—it has got that bit sorted out—but nothing else has happened as far as the authority is concerned. As the Minister saw just recently, and as I have periodically pointed out as the Committee has progressed, when the guidance notes and the notes published by the Department on various aspects of the Bill appear, we see that the North Sea Transition Authority is doing various things related to various aspects of the Bill. However, when we go into the clauses in the Bill, we see that it is not the North Sea Transition Authority that is doing those things, but the Oil and Gas Authority, because that remains the legal arrangement.

10.30 am

What is to be done about that? Is it satisfactory for the medium and long-term future that we should look to an authority to take positive action on the transition and on some of the things we have talked about in Committee this morning, even though it has functions that require it to do something else and a name that suggests it should do something else entirely? In the great British tradition of muddling and fudging, we may say that as long as everybody understands what is being done, it is okay that we have a body doing one thing while it is legally required to do something else entirely. I do not think that is good enough if we are to be serious about North sea transition.

We have designed the new clause to attempt to give effect to something that has some sort of legal basis, and the Energy Act 2016 needs to be amended so that it is clear that what we are talking about in the legislation, as well as on a daily basis, is the North Sea Transition Authority. Undoubtedly, the Minister will say that that requires rather more than putting the North Sea Transition Authority in section 1 of the 2016 Act, and that we have to do all sorts of other things. I appreciate that that is the case, and the new clause seeks to substitute "North Sea Transition Authority" for all references to "the OGA". I am not sure that that quite stands up, but the intention is to change the wording to the "North Sea Transition Authority" throughout the Energy Act.

As I have pointed out, what is really important in all this is that section 8 of the 2016 Act concerns matters to which the OGA must have regard. If the OGA is to become the North Sea Transition Authority properly, what will be the sorts of matter to which the NSTA ought to have regard? I do not object to a number of things that are already included in the 2016 Act, but I would have thought that it was absolutely essential to put in those matters to which the North Sea Transition Authority should have regard. It should have regard to the transition, as that is included in its name and in its functions for the future.

The new clause would insert a new paragraph to section 8(1) of the 2016 Act, on things to which the newly named authority should have regard, which is:

> "The need to ensure an effective transition from high carbon exploration production and exploitation of the North Sea basin to a low carbon exploitation of all North Sea basin resources compatible with the United Kingdom's net zero commitments."

That would effectively give the North Sea Transition Authority a job for the whole of the North sea's transition, not just the continued safety, security and production of high-carbon elements that can be extracted from the North sea. It would also have oversight of and regard to the low-carbon exploitation of the North sea basin's resources, including carbon capture and storage, which the 2016 legislation nods in the direction of, as well as offshore wind, including interconnectors and various elements that develop the capacity of the North sea to provide wind resources to shore. Essentially, it would become a North sea authority covering all the features that mean the North sea will be an absolutely crucial basin for our future energy wellbeing, as well as its current functions.

That is potentially very important in the medium and long-term, because, as we know, the North sea basin is very mature in terms of exploitation. Regardless of whether we exploit the small pools alongside existing fields, future production is unlikely to increase and, indeed, will probably decline quite substantially. The Government regularly publish figures on the likely reserves in the North sea, what has already been exploited and what might be exploited for future production. Those figures all trend downwards very substantially.

We want to make sure that the North Sea Transition Authority is managing not just the decline of a resource, but the decline of a resource in one area and its expansion in another, making sure that those two—as the word transition suggests—are compatible in terms of the overall contribution that the North sea can make to the UK's future energy and economic wellbeing.

The Minister may say that is all very well, but there are other parts of the UK involved in the extraction of resources. It is certainly not the intention of the new clause to limit the North Sea Transition Authority to those particular areas; there is no reason to suggest it would be limited. As the name implies, its concentration would be on the largest resource we have—the North sea—and the Celtic sea and so on would come under the general heading. The transition authority would be for all the UK's exploitation of energy resources, regardless of where they were around the UK coast.

The new clause is very helpful indeed, and will, among other things, prevent the Minister from having to explain in the future why one thing means another thing and why something that does not mean something does mean something after all. The Minister will be able to stand up as an entirely reformed man and tell us all what the North Sea Transition Authority is really going to do, backed up by a firm body of legislation that will support his words.

I am making light of that, but as the Minister is aware, one always needs to look at out of the corner of one's eye at who is going to say what about things that the Government are trying to do in the energy sphere. On a couple of occasions, companies and individuals have occasionally sought judicial review of an activity of Ofgem in this sphere.

One notable change that has taken place in the Bill, of which the Minister can be proud, is the amendment to the function and responsibilities of the Gas and Electricity Markets Authority and Ofgem on the net zero mandate. Bringing the North Sea Transition Authority into line with that provision would not be such a bad thing. It would allow us to be sure that the future actions of the North Sea Transition Authority were legally sound. That is a win-win all round. The Minister may suggest otherwise, but I hope that he does so in technical terms, and not in terms of the principle of the idea.

The Minister may formulate his response in words such as, "We will go away and have a good look at this and see if there are things we ought to do to cause this change to take place." If the Minister said that, I would be happy not to press the new clause to a Division, providing he acknowledges in clear view of the Committee that it is a good thing that what the North Sea Transition Authority says and does are both firmly rooted in proper legal provision.

Andrew Bowie: I thank the hon. Member for tabling his new clause and for his attempts at my reformation. To be clear, the new clause would change the name of the Oil and Gas Authority and introduce an express obligation for it to ensure the transition to net zero in carrying out its functions.

In March 2022, the Oil and Gas Authority changed its trading name to the North Sea Transition Authority, or NSTA. The change, supported by the Government and the Opposition, reflects the expanded role the NSTA plays in our transition to a net zero economy.

Under the new clause, the name change would occur only in the Energy Act 2016. However, as the hon. Gentleman admitted, the Oil and Gas Authority is mentioned in a large amount of primary and secondary legislation, which would also require amendment. Any partial change of name could undermine or change the

NSTA's statutory functions, powers and objectives. However, the Government recognise the importance of the change and, as we speak, we are considering legislative options to amend the authority's statutory name to the NSTA in all places where it occurs.

10.45 am

The new clause would also create an express obligation for the NSTA to ensure the transition to net zero in carrying out its functions. In December 2020, in accordance with section 9A of the Petroleum Act 1998, the NSTA produced a revised strategy, titled "The OGA Strategy". Under the strategy's central obligation, the NSTA must

"secure that the maximum value of economically recoverable petroleum is recovered from the strata beneath relevant UK waters; and, in doing so, take appropriate steps to assist the Secretary of State in meeting the UK's Net Zero target."

The strategy therefore already provides a basis for the NSTA's ongoing work to help drive the energy transition.

The NSTA will continue to work with the Government, industry and other regulators to help accelerate the move to net zero while meeting the UK's energy demand and security. Under the revised strategy, the NSTA has also introduced new expectations for the management of North sea oil and gas assets in the least polluting way, and for consideration of the full societal carbon cost when taking decisions.

The energy transition will be further supported by the Government's landmark North sea transition deal. The deal, agreed in 2021, could support up to 40,000 high-quality direct and indirect supply chain jobs, including in Scotland and our industrial heartlands in the north-east and east of England; generate up to £14 billion to £16 billion of investment by 2030; and deliver new business and trade opportunities to support our transition to a low-carbon future. Through the deal, the NSTA continues to hold industry to account on emissions reduction targets by tracking and monitoring performance.

Following those explanations, I hope that the hon. Gentleman feels that he can withdraw his new clause.

Dr Whitehead: Indeed there is a feeling welling up in me that we are not able to proceed with the new clause, given that the Minister said—and I agree—that such a change cannot be made easily with a quick stroke of a pen, and that a number of other things need to be considered alongside that. I am pleased that he indicated that, as we speak, there are serious people with towels round their heads working through the implications and looking at how we can best do it. That was the intention of the new clause, but perhaps I was rather optimistic in thinking that the name change could be written in easily. I appreciate that it cannot.

I also appreciate that the transition authority has the green light from Government to start undertaking things relating to transition. It is beginning to pursue that, and that is all good, but I say gently to the Minister that at some stage we will need to push this together. If the gentlemen with wet towels round their heads—

Andrew Bowie: And ladies.

Dr Whitehead: And ladies, indeed. If they can undertake their work in a reasonable fashion, I hope we will have a solution that is good for all of us, as far as the transition is concerned. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 44

MAXIMUM ECONOMIC RECOVERY IN THE NORTH SEA

"(1) The Petroleum Act 1998 is amended as follows.

(2) Omit sections 9A to 9I."—*(Dr Whitehead.)*

This new clause removes reference to Maximum Economic Recovery in the North Sea as placed into the Petroleum Act 1998 by section 41 of the Infrastructure Act 2015.

Brought up, and read the First time.

Dr Whitehead: I beg to move, That the clause be read a Second time.

New clause 44 concerns a similar legislative requirement—this time, not in the Energy Act 2016, but in the Infrastructure Act 2015. The 2015 Act—I know that hon. Members will have it at their bedsides at all times—contains what can only be described as a performative piece of legislation. Section 41 makes an extensive amendment to the Petroleum Act 1998, which worked perfectly well in supporting the development and activity of the North sea basin, to introduce a principal objective of

"maximising the economic recovery of UK petroleum"—

interestingly, that is not defined in the legislation—through

"development, construction, deployment and use of equipment,"

collaboration among various persons, and so on.

Section 41 also states that the Secretary of State

"must produce one or more strategies for enabling the principal objective to be met."

There is a requirement on the Secretary of State,

"As soon as practicable after the end of each reporting period,"

to

"consider the extent to which, during that period, these persons have followed section 9C by acting in accordance with the current strategy or strategies,"

and to

"produce a report on the results of the consideration of that question."

The section goes on to state what the report must contain, and to provide that the Secretary of State

"must publish, and lay before each House of Parliament, a copy of each report produced under this section."

I have one initial question for the Minister: where are the reports? I have looked quite hard in the Library and various other places to find copies of the reports that the Secretary of State was supposed to produce in each reporting period, and to identify what considerations he or she made in terms of licence holders and operators under petroleum licences and so on. It is probably a case of me being a little remiss, but I cannot find those reports on the maximisation of the economic recovery of UK petroleum, several of which should have been produced by now, since they are supposed to be produced at the end of each two-year reporting period.

Far be it from me to suggest that the Secretary of State is in breach of his requirements under the 2015 Act. I am sure the Minister can put me right about whether the Secretary of State is in breach and either point me to the reports or, perhaps, suggest that they might be forthcoming. I hope the Minister has received inspiration that may enable him to address that point.

Even at the time, section 41 of the 2015 Act appeared to be rather strange in definitional terms. What would lead the Secretary of State to consider that the economic recovery of UK petroleum has been maximised? Is it

[Dr Whitehead]

the extraction of every last drop of petroleum and gas from the North sea—and, if so, over what timescale? It is unclear. Presumably, if economic circumstances change and make further North sea extraction economical, the Secretary of State and industry should start busily extracting everything that is economically extractable, even though in the future it may not be regarded as such.

Section 41 is a bit of a nonsense, and of course it is a much bigger nonsense now than it was, because the Government have solemnly agreed to our net zero targets and amended the Climate Change Act 2008. Indeed, the amendment of those targets was agreed after the 2015 Act was passed. We now have targets for our country's future emissions, as well as legislation that essentially says that we are required to do the opposite of those targets through oil and gas extraction in the North sea.

As I am sure the Minister is aware, one important calculation in reaching net zero—indeed, the Government have introduced a net zero calculator—is whether at least some extraction of oil and gas from the North sea contradicts the net zero target. We have had a number of assessments, including from the Climate Change Committee and various other bodies, that maximising the economic extraction of oil and gas from the North sea would undoubtably bust our targets, and that we must be clear that at least some of it probably needs to be left there. If we sucked the North sea and other places dry of their oil and gas resources, depending on how we accounted for it, that would pretty much inevitably bust our ability to reach our targets. The objective to maximise economic recovery sits in stark contradiction to our overall emissions targets.

11 am

The new clause would amend the Petroleum Act by simply removing sections 9A to 9I, which relate to the maximum economic recovery of UK petroleum. Before hon. Members leap to their feet and say, "Well, that means that you've disabled the ability to proceed with production and various other things in the North sea," let me say that that is absolutely not the case. The Petroleum Act facilitated production by laying down arrangements for it to be undertaken, introducing safety arrangements and so on. The removal of sections 9A to 9I would have no effect at all on the continuation of production, the management of that, and all the things that we have been talking about in terms of North sea activities. It would only take away what I have always thought to be a pretty performative piece of legislative change and restore the 1998 Act so that it does what it was originally intended to do.

I would be grateful if the Minister would indicate whether he thinks that is a good idea or a bad idea. Is he wedded to the continuation of the maximum economic recovery objective, despite our commitments under climate change legislation? If he is, is he happy to produce regular reports on why it is a good idea and what is happening in terms of trying to pump every last drop of oil and gas out of the North sea? It is important that he puts on the record whether he supports that or whether he considers that there are ways in which—as I said with respect to the restoration of the 1998 Act—we can create a clear distinction between the continuation of a healthy industry in the North sea based on the development of its remaining resources, and seeking to bleed that resource dry.

It is important as we move towards 2050 that the North sea has longevity and can continue to produce over a considerable period, albeit at a reduced level, to support the use of oil and gas in our economy, albeit at a much lower—but nevertheless appreciable—level. The idea is that the North sea, if it produces over a much longer period, can reach a point where it can satisfy most of that lower level of requirement in the UK. That can only happen if the North sea is still in production. If it has been bled dry by a doctrine of maximum economic recovery, it will not be there to underpin the UK economy in 2040 or 2050, when we will need an indigenous supply of oil and gas for those residual activities.

I am interested to hear from the Minister. I understand, of course, that our attempt just to excise sections 9A to 9I from the 1998 Act may cause similar issues as arose with new clause 43. If that is the case, I would be interested to hear what he has to say about it. However, this looks to be a rather simpler procedure than the one concerning the North Sea Transition Authority; we just excise what went into the Petroleum Act in 2015, and allow that Act to do its work of ensuring that we have a viable, profitable and economically useful North sea oil and gas sector in the very long term.

Olivia Blake: It has been an interesting discussion. "Maximum economic recovery" might sound like three benign words, but they could be a toxic combination. If we are not careful, they could be rephrased as "maximum economic crisis". The climate catastrophe that will unfold if we do not cap global warming at 1.5°, and maintain that on average over 20 years, will be incredibly tough for any Government and for everyone internationally. Some reports suggest that if we wait 10 years, it will not take 1% of GDP to tackle the climate emergency; that will jump staggeringly. About 8% of GDP expenditure will have to go on resilience alone, and dealing with the consequences of the climate catastrophe. The cost of changing to a green energy system in that same decade would double as well. It is really important that we understand what that means.

I say "toxic combination", but there is also the very real and significant risk of stranded assets. The financial sector, the insurance industry and pension funds are all very aware of the issue, and we see that in how they are changing the way that they invest in projects, and the divestment policies of many of the institutions in this space. *Nature* published an article in 2022 stating that 60% of oil and gas and 90% of known coal should remain in the ground if we are to get to 1.5°C, but the issue of stranded assets is a reality. We cannot have our cake and eat it; we cannot inhale our cake quicker and hope for the best. Every drop of oil and gas and every lump of coal that we burn contributes to the Anthropocene we are seeing. We have decisions that we can take, and we know that those decisions have an impact.

Stranded assets are really important in this debate. A report in 2022 suggested that the oil, gas and fossil fuel industry had £1.4 trillion of stranded assets. That means that there will be a cliff edge for jobs. There will be assets that people can no longer use or get value from. It will mean that we have barrels of oil, gas and coal that

we cannot use, because—a very senior scientist makes this argument in the report—the world will have moved on. We hope that the world will move on as a result of the Bill; if we do not scale up net zero measures, UK households could be spending £500 a year on foreign gas, rather than saving £1,500-odd through a move to renewables and energy efficiency policies, and retrofitting.

This is an incredibly important point. We cannot just hope that things will get better, and squeezing every last drop out of the North sea is not compatible with our aim of 1.5°. We cannot set a date for getting to net zero, but then produce as much carbon and other greenhouse emissions as we like and hope for the best. There must be carbon budgeting, as we all know. We have had all this conversation about a just transition, yet we are giving massive tax breaks. For example, if Rosebank goes ahead, it will receive a tax break of £3.75 billion for something that may soon become a stranded asset.

Katherine Fletcher (South Ribble) (Con): I am grateful to the hon. Lady, and I will be brief. Will she share the definition of a stranded asset? Some oil and gas extraction areas have enormous potential for carbon capture and storage; it will be a matter of pushing stuff down a pipe, rather than pulling stuff out of it. Has any of that been taken into account in her slightly apocalyptic analysis of what we can do in the North sea and other areas?

Olivia Blake: It is apocalyptic because going above 1.5°C will be catastrophic.

Katherine Fletcher: We are talking about a transition.

Olivia Blake: I absolutely agree that it needs to be a transition; that is exactly my point. In the scenario we are discussing,

> "Fossil fuel resources that cannot be burned and fossil fuel infrastructure (e.g. pipelines, power plants) that is no longer used may end up as a liability before the end of its anticipated economic lifetime."

The assets are not being valued at their value over their lifetime; it is that simple. Say we give a value to an asset for its lifetime—25, 50, 100 years or whatever. Its lifetime will fall short of that period, and there will be catastrophic consequences for the financial and economic world; things will go into freefall. This is about economic risk, not just what we have, where. It is that fundamental. That understanding is missing from a lot of this debate, but financial services, pension funds and the insurance industry are all saying that they are very aware of the issue.

Katherine Fletcher: The hon. Lady has just read quite a detailed definition of a stranded asset, which included fossil fuel reserves remaining under the ocean, if I heard her correctly.

Olivia Blake: We would have to leave them there, but figures for them would be baked into the economic analysis and the business planning for those sites. That is why there is a financial risk; financial plans will come into play that will be unrealistic and unmeetable. That is why the assets will become stranded assets; it had been planned that they would produce a profit over a period, but we will not get to that time because of the situation.

Katherine Fletcher: If I understand the hon. Lady correctly, she is worrying about a figure of £1.5 billion in stranded assets, which includes fossil fuels that are left under the ground. That does not take into account the fact that the assets could be repurchased for an energy transition. Would she agree that there is perhaps more analysis to do?

Olivia Blake: To be clear, it is not £1.3 billion; it is £1.4 trillion, and that is why this is significant. I am not the only one worried about this—so are financial institutions around the globe. This massive financial risk could spin us into financial crisis if we are not careful. This is not just a climate catastrophe; it is an economic situation that we need to monitor, and we need to ensure that we do not have a cliff edge that lands us in a spiral that we cannot get out of. That is why a transition is so important, and why we need development of industry in the North sea, but cannot rely on our valuations of assets at the moment.

We need to take into consideration changes in the use of oil and gas, so that we can reach 1.5°C. We cannot deal with those two issues in isolation. As much as that would please everyone at the moment and allow them to make a quick buck, it is economically illiterate to think that we can continue as we are. That is a big problem. There are huge opportunities for Government, and I welcome a lot of the things in the Bill that will help to unlock them.

At household level, the move to renewables would significantly benefit people. Renewables are three times cheaper than oil and gas-related heating and electricity. A record number of households are suffering from energy insecurity. It is important that we look at the issue in the round. We cannot just say, "We need this" or "We need that," and expect it to add up. If the financial sector gets scared, and much suggests that it is, it will look to invest in other places. If insurance companies say, "We are not going to insure these facilities because there is such an economic risk to us," we are in trouble. If pension funds flee from the sector, we are in trouble. Our financial sector is incredibly important in this area, and those in it are saying loud and clear, "Governments are behind us, and we need them to catch up." This tiny phrase, "Maximum economic recovery", and what it asks for, could lead to the cliff edge that we have all been saying that we do not want. That is why this is so important.

11.15 am

The decisions we take now will shape the world. That is categorically true. A combined, whole view of this is so important. Not only will there be a cost to the public purse, but we will need to spend massive amount of GDP to deal with the crisis as it unfolds. People can say that this is catastrophising, but these are very real concerns. We already have over 20-odd million people displaced by significant environmental and climate events, and it could go up to hundreds of millions if we do not get to 1.5°C. That would mean hundreds of thousands of people displaced in the UK.

Water levels are rising, and will continue to rise beyond 2100, meaning that significant parts of the UK will be under water and people will be displaced. We are seeing real, measurable effects, and things are quickly getting worse. Just look at the oceans and the temperatures

at the moment. There is an unprecedented rise in the temperature of UK waters, and it will have a devastating effect if it continues. It is so important that we see things in the round and do not just say, "This is how much we need. If we continue to burn as much as we can today, we will be all right as long as we stop by 2050." That is not the outcome we want. We want a just transition that slowly helps us get to that point and stops us turning off the gas tap at the point of no return. We need a planned way forward that helps us not face economic ruin.

Andrew Bowie: I thank the hon. Members for Southampton, Test, and for Sheffield, Hallam, for their impassioned contributions to the debate. There has been talk of apocalypse and catastrophe, and there has been some idea that the country is not taking the issue seriously. The hon. Member for Sheffield, Hallam suggested that we were just setting a date and hoping for the best. Nothing could be further from the truth. We have decarbonised faster than any other G7 nation. Off the coast of this country are the first, second, third and fourth-largest offshore wind farms in the world. We created an entire Department to focus on the challenges of net zero, and we are passing this Bill, which will enable us to unlock so much of what we need to do to move this country forward even more quickly.

There was talk of economic illiteracy, but it is economic illiteracy not to support our outstanding British offshore oil and gas industry as it continues to produce the oil and gas that is required to keep the lights on in this country as we transition to a net zero future. It is the safest, most responsible offshore oil and gas sector in the world. Indeed, by 2035 we will have the first net zero offshore oil and gas sector, and the North sea will be the first basin in the world to be a net zero basin. I urge colleagues to stop talking down this Great British success story and start talking it up, as it contributes so much to our energy security and net zero ambitions.

Olivia Blake: I think the Minister completely missed the point of what I was saying. I am in no way doing down the industry. I am saying that there are financial risks linked to our climate risks, and they must be brought into this debate. That is fundamental, and future Governments will not thank us if we do not discuss and address that now.

Andrew Bowie: I could not agree more that there are financial risks. That is probably why, just this morning, so many businesses expressed their worry at Labour's Just Stop Oil plans, which were outlined a couple of weeks ago and which the former Labour leader of Aberdeen City Council described as even worse for an industry than the actions of Margaret Thatcher in the 1980s. That is from a member of the Labour party who resigned due to Labour's policies on oil and gas.

Dr Whitehead: I would be grateful if the Minister withdrew that comment about Labour's "Just Stop Oil plans". There are no Labour Just Stop Oil plans. Indeed, Labour has condemned the activities of Just Stop Oil protesters, because Labour does not wish just to stop oil. We specifically said this morning that we do not wish to do that, and that we see a substantial role for the North sea oil and gas industry out to 2050. We would support that future, so I hope the Minister will not resort to these easy gibes and will address the issue rather more seriously today. That would be helpful.

Andrew Bowie: I should probably turn to the new clause, but I welcome the welcome and support that the hon. Gentleman—and now, it seems, the Labour party—will give to our offshore oil and gas industry. He should probably inform the members and founders of Just Stop Oil who have donated so much money to his party.

The objective of maximising economic recovery in the North sea forms the basis of the North Sea Transition Authority's regulatory functions, and removing them could significantly undermine its ability to operate as intended. It would also lead to a significant lack of clarity about the authority's regulatory role. Maximising the economic recovery of oil and gas need not be in conflict with the transition to net zero, and the North Sea Transition Authority is already doing a great deal of work to support an orderly transition that delivers on our climate commitments and supports workers.

In December 2020, in accordance with section 9A of the Petroleum Act 1998, the North Sea Transition Authority published a revised strategy, titled "The OGA Strategy".

Dr Whitehead: Ah!

Andrew Bowie: It is rather ironic, given what we have just been discussing. Through the revised strategy's central obligation, the North Sea Transition Authority must

"secure that the maximum value of economically recoverable petroleum is recovered from the strata beneath relevant UK waters; and, in doing so, take appropriate steps to assist the Secretary of State in meeting the net zero target".

The strategy therefore already provides a basis for the North Sea Transition Authority's ongoing work to help drive the energy transition.

Under the revised strategy, the North Sea Transition Authority has also introduced new expectations for how North sea oil and gas assets will be managed in the least polluting way, and it will consider the full societal carbon cost when taking decisions. The North Sea Transition Authority will continue to work with Government, industry and other regulators to help accelerate the move to net zero while meeting the UK's energy demands and need for energy security.

Section 9D of the Petroleum Act 1998, on reports by the Secretary of State, was repealed by paragraph 10 of schedule 1 to the Energy Act 2016, which means the repeal happened before any reports needed to be produced.

I pay tribute to our offshore oil and gas industry, particularly Offshore Energies UK and its "Vision 2035" plan, which means the North sea will become the world's first net-zero basin. With these explanations, I hope the hon. Gentleman feels able to withdraw his new clause.

Dr Whitehead: I thank the Minister for clarifying the position on reports, because I must admit that I had not read that paragraph of the 2016 Act. It rather underscores my point that this is a performative piece of legislation. There were requirements to report, but the Government presumably realised that they were even sillier than the original imposition on the 1998 Act and decided, one year later, that reports would not be necessary. It could

have been a bit embarrassing if the reports came out, so they decided that the reports were not necessary. I thank him for that clarification, but he is rather speaking to my point instead of his.

I am very disappointed that the Minister has sought to characterise our debate as one side of the Committee being against oil and gas and the other side being in favour; he thereby swerves the important point raised by my hon. Friend the Member for Sheffield, Hallam. On the overall position that maximum economic extraction could lead us—

11.25 am

The Chair adjourned the Committee without Question put (Standing Order No. 88).

Adjourned till this day at Two o'clock.