

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

GREAT BRITISH ENERGY BILL

First Sitting

Tuesday 8 October 2024

(Morning)

CONTENTS

Programme motion agreed to.
Written evidence (Reporting to the House) motion agreed to.
Motion to sit in private agreed to.
Examination of witnesses.
Adjourned till this day at Two o'clock.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Saturday 12 October 2024

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The Committee consisted of the following Members:

Chairs: SIR ROGER GALE, † DR RUPA HUQ

| | |
|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| Billington, Ms Polly (<i>East Thanet</i>) (Lab) | † McDonald, Chris (<i>Stockton North</i>) (Lab) |
| † Blake, Olivia (<i>Sheffield Hallam</i>) (Lab) | † Moon, Perran (<i>Camborne and Redruth</i>) (Lab) |
| † Bowie, Andrew (<i>West Aberdeenshire and Kincardine</i>) (Con) | † Morrissey, Joy (<i>Beaconsfield</i>) (Con) |
| † Crichton, Torcuil (<i>Na h-Eileanan an Iar</i>) (Lab) | † Pakes, Andrew (<i>Peterborough</i>) (Lab) |
| † Cross, Harriet (<i>Gordon and Buchan</i>) (Con) | † Shanks, Michael (<i>Parliamentary Under-Secretary of State for Energy Security and Net Zero</i>) |
| † Flynn, Stephen (<i>Aberdeen South</i>) (SNP) | † Turley, Anna (<i>Lord Commissioner of His Majesty's Treasury</i>) |
| † Fookes, Catherine (<i>Monmouthshire</i>) (Lab) | |
| † Heylings, Pippa (<i>South Cambridgeshire</i>) (LD) | |
| † Hobhouse, Wera (<i>Bath</i>) (LD) | Lucinda Maer, Sarah Thatcher, <i>Committee Clerks</i> |
| † Kumaran, Uma (<i>Stratford and Bow</i>) (Lab) | |
| † MacAlister, Josh (<i>Whitehaven and Workington</i>) (Lab) | † attended the Committee |

Witnesses

Juergen Maier CBE, Chair, Great British Energy

Mika Minio-Paluello, Senior Policy Officer, Industry and Climate, TUC

Mike Clancy, General Secretary, Prospect

Shaun Spiers, Executive Director, Green Alliance

Ravi Gurumurthy, Chief Executive Officer, Nesta

Marc Hedin, Head of GB and Ireland Research, Aurora Energy Research

Dan McGrail, Chief Executive, RenewableUK

Adam Berman, Director of Policy, Energy UK

Public Bill Committee

Tuesday 8 October 2024

(Morning)

[DR RUPA HUQ *in the Chair*]

Great British Energy Bill

9.25 am

The Chair: We are now sitting in public and the proceedings are being broadcast—Big Brother, so watch your words.

I have a few preliminary announcements. *Hansard* colleagues will be grateful if Members email their speaking notes. Please switch electronic devices to silent mode. Tea and coffee are not allowed during sittings.

We will first consider the programme motion on the amendment paper, and then a motion to enable the reporting of written evidence for publication and a motion to allow us to deliberate in private about divvying up the questions before we get into the oral evidence sessions. In view of the time available, I hope that we can take such matters formally, without debate. I will first call the Minister to move the programme motion, which stands in his name and was discussed yesterday by the Programming Sub-Committee.

Ordered,

That—

1. the Committee shall (in addition to its first meeting at 9.25 am on Tuesday 8 October) meet—

- (a) at 2.00 pm on Tuesday 8 October;
- (b) at 11.30 am and 2.00 pm on Thursday 10 October;
- (c) at 9.25 am and 2.00 pm on Tuesday 15 October;

2. the Committee shall hear oral evidence in accordance with the following Table:

| TABLE | | |
|-------------------|------------------------------|----------------------------------------------------------------------------------------------------|
| Date | Time | Witness |
| Tuesday 8 October | Until no later than 9.50 am | Juergen Maier CBE |
| | Until no later than 10.20 am | Trades Union Congress; Prospect |
| | Until no later than 11.00 am | Green Alliance; Nesta; Aurora Energy Research |
| | Until no later than 11.25 am | RenewableUK; Energy UK |
| | Until no later than 2.30 pm | SSE plc; EDF Renewables |
| | Until no later than 2.50 pm | The Crown Estate |
| | Until no later than 3.10 pm | Flint Global |
| | Until no later than 3.50 pm | The Carbon Capture and Storage Association (CCSA); Scottish Renewables; Net Zero Technology Centre |
| | Until no later than 4.10 pm | Offshore Energies UK (OEUK) |

TABLE

| Date | Time | Witness |
|------|-----------------------------|-------------------------------------------------------------------------------------|
| | Until no later than 4.30 pm | GMB Union |
| | Until no later than 5.00 pm | Michael Shanks MP, Minister for Energy, Department for Energy Security and Net Zero |

3. the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Tuesday 15 October.— (*Michael Shanks.*)

Resolved,

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

The Chair: Copies of written evidence will be made available on the desk in the Committee Room.

Resolved,

That, at this and any subsequent meeting at which oral evidence is to be heard, the Committee shall sit in private until the witnesses are admitted.— (*Michael Shanks.*)

9.27 am

The Committee deliberated in private.

9.31 am

The Chair: We are now sitting in public again and the proceedings are being broadcast. Before we hear from the witnesses, does any Member wish to make a declaration of interest in connection with the Bill?

Olivia Blake (Sheffield Hallam) (Lab): My husband is company secretary of Sheffield Renewables, a community energy project in Sheffield that generates energy.

Andrew Pakes (Peterborough) (Lab): This is registered, but I have been told to say it out loud: I am a member of the GMB, which is appearing before us later, and before the election I was the deputy general secretary of Prospect, which is also speaking to us this morning.

Torcuil Crichton (Na h-Eileanan an Iar) (Lab): I am also a member of the GMB.

The Parliamentary Under-Secretary of State for Energy Security and Net Zero (**Michael Shanks**): I am also a member of the GMB.

Uma Kumaran (Stratford and Bow) (Lab): I am also a member of the GMB.

Olivia Blake: I am also a member of the GMB.

Josh MacAlister (Whitehaven and Workington) (Lab): I am also a member of the GMB.

Andrew Bowie (West Aberdeenshire and Kincardine) (Con): I am not!

The Chair: For full transparency, I am a member of Unison.

Examination of Witness

Juergen Maier gave evidence.

9.32 am

The Chair: We will begin by hearing oral evidence from Mr Juergen Maier, chair of Great British Energy and of Digital Catapult. Before I call the first Member

to ask a question, I remind Members that all questions should be limited to matters within the scope of the Bill. It is a short and quite a narrow Bill, and if you stray I will tell you off, so do not stray in the first place. We must stick to the timings; for the first evidence session we have until 9.50 am.

Will the witness introduce himself for the record?

Juergen Maier: Good morning, everybody. It is a pleasure to be here. I am the start-up chair of Great British Energy. I am in the process of stepping down from Digital Catapult; we are just looking for the new chair to replace me, so that I can focus on this role.

Q1 Andrew Bowie: Good morning, Mr Maier, and thank you for joining us this morning. Congratulations on your appointment as chair of Great British Energy.

It was announced with great fanfare at the Labour party conference that the new headquarters of Great British Energy would be in Aberdeen. What does that actually mean? What will the HQ actually do? How many people will be employed at the HQ?

Juergen Maier: The HQ is where we will centre all our operations. That means that all the key staff will be there, including the chief executive when we get around to appointing one. We will probably start with an interim chief executive who might not be located there, but eventually that is our plan.

There will be other locations. We would also like a location in Edinburgh and one in Glasgow, in particular to help on innovation and maybe financial services. I see the main role in Aberdeen as being particularly around operational engineering jobs. Ultimately, those are the jobs that are in abundance in Aberdeen; they are the well-paid jobs and the ones that are in greater quantity.

Q2 Andrew Bowie: The overarching aim of GB Energy is to speed up the transition to invest in new and emerging technologies. When your time as chair has ended and you look back, what will you judge as success?

Juergen Maier: There are two very simple answers. The first is how many renewable energy and clean energy projects Great British Energy has been a part of, as a co-investor, an investor or an enabler, and how much more renewable energy we have thereby managed to get on the grid. The second is how many jobs and how much prosperity we have created as a result, making sure that as much of the supply chain is Scottish/British, rather than overseas.

Q3 Catherine Fookes (Monmouthshire) (Lab): Welcome, Mr Maier. It is great to meet you—thank you for coming before the Committee. In Monmouthshire, we have seen the benefit of a lot of community energy projects, such as solar power on the Bridges community centre in Monmouth. In Wales, we have also seen lots of hydro projects in community energy, such as Ynni Ogwen in Bangor. Can you share how you think the Bill's provisions will support community energy projects in the whole of Britain and Wales?

Juergen Maier: Community energy is definitely a priority for Great British Energy. If you want to point specifically to the Bill, clause 3, "Objects", refers in subsection (2)(a) to

"the production, distribution, storage and supply of clean energy".

I see community energy as a core part of that. As Great British Energy, we definitely want to support the schemes that you have been talking about, whether those are in Wales, Scotland, England or Northern Ireland. We will definitely be doing that.

Q4 Stephen Flynn (Aberdeen South) (SNP): Thank you for joining us this morning, Mr Maier. May I go back to your answer to a previous question? I do not think you quite clarified how many jobs would be in Aberdeen. If I picked you up correctly, you said that you expected those jobs to be operational engineering jobs. Could you elaborate on that? Could you give a steer or a little clarity on what you expect GB Energy to do in practice? The Bill states that the Secretary of State will provide clarity subsequently, but there is a lot of discourse in the public domain about what GB Energy will actually do.

Juergen Maier: Indeed. You are right that I did not answer your first question directly. The reason, obviously, is that we have not been able to put a direct number on it yet. It will be in the hundreds; it may eventually be 1,000 or more in the HQ. You will now say, "That is not going to help manage the energy transition," but the reason is that the large numbers of people we will be helping to employ will be in the supply chain. If we look at some of the numbers already, by the end of the decade 100,000 people will be employed in offshore wind. I hope that many more of those will be in floating offshore wind, and floating offshore wind will happen off the coast of Aberdeen and indeed the whole east coast of the United Kingdom.

The jobs will be the sort that work with supply chains and the private sector to determine how we will enable floating offshore wind. What is the technology? What are the innovation challenges? What about project-managing the schemes, helping them to get through planning permission and making sure that they get on the grid? There will be all those sorts of questions. I very much see the role of Great British Energy as that of an enabler to get such new technologies on to the grid, and as that of an investor and co-investor. It will take quite a team of people and skills to achieve that.

Stephen Flynn: Am I okay to ask one more question, Chair?

The Chair: A quickie.

Q5 Stephen Flynn: In that context, when do you expect GB Energy to bring down energy bills, as promised?

Juergen Maier: The only way to get energy bills down and to get greater energy security is to get more renewable energy on the grid. We have to keep reminding people that the reason why energy bills went up was not renewable energy; it was a global oil and gas price crisis. Every megawatt and gigawatt of renewable energy that we put on the grid will help to bring bills and prices down. The exact mechanism by which that happens is, of course, a matter of policy—how you decide to bring those bills to the consumer. That is not the scope of Great British Energy; it is not the scope of the Bill, either.

The Chair: We are straying from the scope, yes. I call Torcuil Crichton.

Q6 Torcuil Crichton: Good morning, Mr Maier. Following on from Catherine's questions, can you highlight how GB Energy will involve communities in the renewable transition? What kind of benefits will there be? The Secretary of State spoke about a mandatory community benefit.

Juergen Maier: Thank you for the question. We have laid out the five key priorities of Great British Energy. One is to invest and co-invest; another is to enable and help to accelerate development; the third is very much about the local community energy that your colleague talked about earlier. That will be through community energy schemes. The reason we are so keen on that is that it is where community engagement really comes in. That will not be the gigawatts of renewable energy—the gigawatts will be in floating offshore wind—but I passionately believe that by engaging with local communities, whether that is with local solar, with onshore wind or with tidal-type schemes, you can really get that community engagement and community acceptance. Indeed, you can really deliver the local social benefit that those schemes can deliver.

Torcuil Crichton: And economic benefit too, we hope.

Juergen Maier: Of course.

Q7 Wera Hobhouse (Bath) (LD): Good morning, Mr Maier. It is very good to see you here. I have some questions about the overall aims that the Bill and the company are trying to achieve. You have just said that it will be an enabler, so we have to imagine it as something that will happen before any contracts for difference are attributed. It is an enabler to make people and companies ready to bid into the CfDs, for example. Is that how you see the role? People are used to the status quo, and the CfDs have been very successful. Some companies are wondering how it is all going to fit together.

Juergen Maier: Certainly the enabling part of what we do will be pre-CfDs, as you say. That is also where our partnership with the Crown Estate comes in. This is where we will be doing a lot of the early consenting and engaging on the willingness to co-invest and give confidence, but we will also be there past the CfDs. As and when the schemes get developed, there may be opportunities to come in and be a co-investor. We would also be supporting that.

Wera Hobhouse: So—

The Chair: Order. Is this within the scope of the Bill? Our last question will be at 9.47 am, and four more Members have indicated that they wish to come in.

Q8 Wera Hobhouse: Does the Bill give us enough clarity? How will other financial institutions, such as the UK Infrastructure Bank or the British Business Bank, support what GB Energy is trying to do? The Bill is very short, so I wonder whether there is enough scope within it to explain that to investors.

Juergen Maier: There will be two things. The Bill clearly sets out the structure of how we will set up Great British Energy and the key areas of focus. Obviously there will then be a business plan and a framework agreement between us and the Secretary of State, in which we will have to clarify exactly those questions and

where Great British Energy and the UKIB take their role. Those are things that will need to be clarified, but I do not think that putting them in the Bill would particularly help us to do that.

Q9 Wera Hobhouse: I have one last question about the timeframes, which are very vague. The Bill states:

“The Secretary of State must prepare a statement of strategic priorities for Great British Energy.”

Do you have any idea of when we can expect that statement to be laid before Parliament?

Juergen Maier: I am not sure of the exact timings. Maybe when you get evidence from the Minister he will be able to put a time on that.

Q10 Perran Moon (Camborne and Redruth) (Lab): Mr Maier, you have talked about how local communities will benefit from community energy; you mentioned floating offshore wind off the east coast of the United Kingdom. Down in Cornwall, we are very close to the Celtic sea opportunity, which is between us and Wales. Could you elaborate on the benefits, particularly the social benefits, that may come from the Celtic sea development in an area like Cornwall, which is one of the most deprived in the UK?

Juergen Maier: Indeed. The earlier question was pointed at the north-east and Aberdeen, hence my response, but you are right. As a matter of fact, the two key areas where floating offshore wind will be developed are in the north-east and in the Celtic sea. From a logistics point of view, you could not put them further apart, so it is not exactly ideal—

The Chair: Order. We are moving outside the scope of the Bill.

Juergen Maier: Anyway, the answer to your question is the same answer that I gave for Aberdeen. There will be an HQ, a lot of the activities, project management, knowledge and engineering, but obviously when it gets to installation and port-type infrastructure work, there will be significant opportunity in Cornwall and anywhere serving the Celtic sea.

Q11 Harriet Cross (Gordon and Buchan) (Con): Good morning, Mr Maier. The Bill states that GB Energy will be involved in the supply and storage of clean energy. It goes on to say that clean energy is from “sources other than fossil fuels”.

Where is the cut-off? With things like blue hydrogen, there is a crossover: fossil fuels are involved, but the product is not necessarily what you would call a fossil fuel. Where does GB Energy come in?

Juergen Maier: Our core focus will be on renewable energy that is not derived from fossil fuels, to be clear. However, there are obviously energy sources that are part of the transition, and the Bill so allows. Clause 3(2)(b) refers to

“the reduction of greenhouse gas emissions from energy produced from fossil fuels,”

which would include blue hydrogen, for example. I believe that blue hydrogen is necessary as part of the transition, because you just cannot produce enough green hydrogen to get us going from the get-go, so you need a transitional way of getting there, as long as the clear purpose is to see it as a transition to ensure that the future is all green hydrogen.

Harriet Cross: In that respect, we would still need fossil fuels—oil and gas—going forward to help the transition.

Juergen Maier: Of course, yes.

Q12 Uma Kumaran: Welcome, Mr Maier. It is good to hear your reassurances about communities being kept at the heart of this. You have told us about renewables, about offshore and about clean energy. As we have heard, it is a short Bill, but I would welcome your thoughts on what the Bill tells us about the objects and the strategic priorities of GB Energy and whether, in your view, it gives you enough detail to carry out your work.

Juergen Maier: It certainly gives me a very clear direction, along with the framework document that we will develop together with the Secretary of State and the Minister. The short answer to your question is that it is pretty clear. The purpose is clear, and that is the most important thing: the purpose, at the end of the day, is that we will accelerate the amount of clean renewable energy that we put on the grid, and that we will create as much prosperity and as many jobs through it as possible.

Q13 Pippa Heylings (South Cambridgeshire) (LD): Welcome, Mr Maier. The main thing for me is the public accountability of GB Energy. You are very clear that the Bill gives you strategic direction. How do you feel that it also provides for public accountability for the money being invested or co-invested?

Juergen Maier: We are seeing pretty good evidence of that right now, aren't we? At the end of the day, this is now a pretty well-established model for being absolutely state-owned and independently run. "Independently run" means excellent governance, and obviously as start-up chair I am going to ensure that that is the case. That does not all need to be in the Bill, because we know what it means. We have the Companies Act 2006 and numerous Acts about how good governance works. We will ensure through our board and our non-executives that there is proper governance, and of course there will be many opportunities for reviews by the Secretary of State and ultimately for the usual sort of public scrutiny.

The Chair: Order. That is the end of our first panel.

Examination of Witnesses

Mika Minio-Paluello and Mike Clancy gave evidence.

9.50 am

The Chair: We will now hear oral evidence from Mika Minio-Paluello, who is the senior policy officer for industry and climate at the TUC, and Mike Clancy, who is the general secretary of the Prospect union. We have until 10.20 am for this session. Will the witnesses please introduce yourselves—and pronounce your name correctly, which I abjectly failed to do?

Mika Minio-Paluello: No worries; nobody ever gets it right. I am Mika Minio-Paluello and I co-lead on industry, climate and energy for the Trades Union Congress. Thanks for having me.

Mike Clancy: I am Mike Clancy, general secretary of the Prospect trade union. We represent people across the range of public and private sectors, and we have 22,000-plus members in the energy sector.

The Chair: I call the shadow Minister to ask the first question.

Q14 Andrew Bowie: I think it is fair to say that at the recent TUC congress some scepticism was expressed about the current Government's plans for the energy sector, not least in respect of fears about the tens of thousands of jobs that are currently under threat in the oil and gas sector. How do you see GB Energy fitting into the overall piece when it comes to seeking to protect those jobs through the transition?

Mika Minio-Paluello: It is true that trade unions want to see good-quality jobs going forward, and that there are concerns about how we deliver a just transition, because we see the reality that transitions are not easy. To make that happen, we need some levers—some tools that can help to ensure that workers either have their existing jobs future-proofed or have transfers to new places. GB Energy is a tool that can help to make that possible that we currently do not really have in the UK. In France, Norway, Denmark and Germany there are a lot more institutions—the public sector effectively has a bigger stake—and we do not have that.

As Juergen said earlier, GB Energy can be part and parcel of enabling the supply chain growth that we have not seen in recent years, because CfDs have not delivered that as they are. It can also deliver the co-ordinated collective pathways for workforce, as well as upskilling, which does not really happen given the piecemeal way it is working at the moment. It can also play a role by ensuring that renewable jobs will be good jobs, both through procurement and through, in effect, ensuring a race to the top. That is all part of a plan, and what came out of our congress recently was that we need to see a plan. To have that plan, we need institutions like GB Energy.

Q15 Andrew Bowie: Do you have enough clarity thus far, through this Bill and the creation of GB Energy, to give confidence to those people in the sector who are worried about their jobs—

The Chair: Order. I do not think there is anything in the Bill about jobs, shadow Minister, so I am being steered by the Clerk to get you off the subject. Let us go to Olivia Blake.

Q16 Olivia Blake: My point follows on slightly. Do you think the Bill will help to ensure a just transition for UK workers? You hinted at that, but I wonder whether Mike Clancy has a comment.

Mike Clancy: Following on from what Mika said, and as we are focusing on the content of the Bill, we welcome the creation of GB Energy but our concern is that for some time energy policy has been long on rhetoric but short on delivery. By that we mean that, in the context of a just transition, the losses of jobs—

The Chair: Order. The Whips are saying there is something wrong with the mics—nobody can hear me either. You need to speak into the mic because nobody can hear what anyone is saying.

Mike Clancy: It is unusual for a trade union official to be asked to increase their volume; none the less, I will run counter to type and try to do that.

We welcome the creation of GB Energy and we welcome the Bill, but the reality is that communities are facing job losses now. The promise of jobs tomorrow is where the challenge lies. As we are talking about the Bill, I should say that we certainly want to see GB Energy created as an exemplar in terms of social partnership, job creation and turning the promise of quality green jobs into a reality. That is the pathway that the Bill has to provide for communities that are directly affected by technological and other changes. I guess that in other questions we will bring out further things about organisational design, because we certainly have some views on whether the Bill leads to an organisational design that will enable that.

Mika Minio-Paluello: You asked, “Will it ensure?” We very much welcome the Bill, but will it, in itself, ensure a just transition? No. Does it provide a mechanism and a tool that the Secretary of State and the Government can then use to help to deliver that? Yes. We also think the Bill is good because it creates a basis for GB Energy to grow. Ultimately, if we are going to see that successful transition, and all the jobs and the prosperity that we need to see in the UK, GB Energy needs to be on a par with the equivalent companies that we see in other countries, such as Ørsted, Statoil or Equinor, Vattenfall, or EDF. That is a long-term process, and over time, it can be good for workers and it can make the whole country richer.

Q17 Stephen Flynn: Thank you both for coming. In relation to that specific point, which is also in the written evidence that you provided, you referenced Ørsted, EDF, Vattenfall and Statkraft. GB Energy will be capitalised with £1.6 billion per annum. How does that equate to the delivery of projects similar to those of Ørsted, EDF, Vattenfall and Statkraft? Is that not quite a leap?

Mika Minio-Paluello: I mean, you would not build an Ørsted in one, two or five years. ESB, the Irish state-owned company, moved into offshore wind gradually, step by step. It took it about four or five years to get well inthere. We think we should aim to get there by 2040 or 2045. You start somewhere, so you start with the capitalisation. We can all talk about whether the Government could access more borrowing, and the fiscal heritage, but you can start with that. It will not be on that scale by 2030, but it can put in place the mechanisms and a plan so that by 2040 or 2045, we are a more powerful and richer country because we are finally on a par with our peers.

Mike Clancy: We have made some commentary about the treatment of public debt and this space in relation to GB Energy, and whether the debt rules, which are subject to current debate, should be adjusted so that public investment companies are appropriately excluded because they will provide a return to the Exchequer. We are also interested in the structure of GBE arising from the Bill in this regard. Clearly it is going to be a public investment vehicle, but if it is going to be an operator like Ørsted and so on—obviously we heard Juergen talk about the nature of the assets that it may bring under its control—these are significant engineering assets and propositions. If you are going to build a company in that respect, you had better start now, and you had better think about the labour markets in which you are going to obtain the skills, which are very competitive. I could keep you all morning talking about how that will not happen if it is constrained by public sector pay constraints.

A serious point is that there is more than one pathway for this entity, and if it is going to have a dual pathway, it needs to be thought through pretty early. That is because realising the floating offshore wind proposition—whatever sea it may be in—is a very significant endeavour, requiring an operational, management, engineering, construction, planning, and indeed operating capacity that need to be thought about right now, at the Bill stage.

Q18 Andrew Pakes: Thank you both for coming in. This Bill and GB Energy are a hugely exciting return to public steering, which we have not seen before for our energy system. One of our big challenges, before we even start building new systems, is the skills shortage we face, and the real challenge we have had in nuclear, renewables and other forms of energy production. I ask you both: how do you feel the Bill can stimulate and relate to the need to develop skills, deliver new jobs and ensure skills development in different regions of the country as well as in traditional areas?

Mike Clancy: Andrew, you are absolutely right. There are various things that need to be brought together that the Bill itself probably needs to consider, in terms of the skills profile generally and other forms of generation that are within this space. There is going to be an office of nuclear jobs developed by the Secretary of State, and so on. Our view is that it comes down to the extent to which the Bill can specify that GB Energy should be an exemplar company, and that it sets objectives for its board in relation to not only its community engagement, but how it conducts its processes to ensure that the short-termism that sometimes emerges from the private sector form of energy ownership is not characterised by a public company, which should be an absolute champion in these areas.

It comes down to governance and to the objectives and how they are set for a public company, and knitting them into the other parts of the skills landscape. That is why I also make the point—not in a usual trade union way, may I say—that we have to think about the labour markets in which GBE is going to play because they are very tight and very demanding, and there is a whole range of infrastructure that this country needs to invest in to deliver the growth mission.

Mika Minio-Paluello: There is good practice to learn from other countries: from Ørsted, Statoil—now Equinor—and Statkraft. They took a proactive role and identified where they thought the country needed to be in 10 years—not just where they might need to be from a minimalist, reactive position, but where the country needed to be—and then how to invest for the long run in those skills.

The Chair: Order. The Clerk is saying that we are straying from the scope of the Bill. We are okay for time because we have until 10.20 am, but it is getting a bit hypothetical about what will happen on top of the Bill, which, I am being told, is not really allowed.

Q19 Harriet Cross: This question is aimed at both of you. In terms of the job prospects for GB Energy, we have had figures such as 650,000 jobs, with 69,000 of those in Scotland as and when they come. However, I am sure that your members will be looking at not

necessarily future jobs, but current jobs and the implication of the Bill for them. What would you like to see in the Bill to ensure that the jobs that are there today are protected? Do you think the Bill as it stands can and will impact them?

Mike Clancy: I am not sure. As extensive as the powers of Parliament are, I am not sure a Bill in itself can give any of those guarantees. I am not trying to avoid an answer; the reality is that the Bill will set up a company with certain objectives, and those objectives should address directly the generation of employment. You have already heard and asked questions about how many jobs there will be in Aberdeen, what that will scale up to, and what it will mean in terms of the supply chain.

We are seeing a lot of very considerable numbers in a lot of different energy spaces: potentially great demand and very high-quality jobs in both the public space and the private ownership of utilities. But it is all promise. Some of the numbers are so significant in aggregate that you have to wonder where they are going to come from, because there is pressure on different parts of the infrastructure. There are lots of synergies between this sector and others—the skills are the same in aviation, defence and so on—and the basic throughput of science, technology, engineering and maths skills in this country is a long-term inhibitor to our productivity and our delivery. In terms of the narrow focus of the Bill, this organisation needs to be the stimulus for that supply chain, with good employment conditions throughout.

One of the issues in a just transition is that you replace public and private structured, high-quality jobs with jobs that are flimsier, more fragile and more temporary. If GB Energy can be a champion for long-term, durable relationships with its workforce—and that is how you want the energy sector to go—that is your best bet for having the jobs promise to replace those that have to be removed due to the climate impact.

Mika Minio-Paluello: The easiest solution is to keep someone working in their current workplace, precisely because, as Mike explained, there is a significant risk that, in shifting across, you end up with more precarious work. A lot of the onshore supply chain for offshore oil and gas has been struggling; we have seen a big decline over the past 14 years both within the supply chain and directly. Chunks of that supply chain can be future-proofed to support offshore wind and other parts, and GB Energy has a significant role to play in supporting those supply chain sites. Whether it is Shepherd Offshore, Smulders or cable manufacturers, GB Energy should say, “We will be purchasing from you, and not just from China.” There is a big risk of China coming to dominate the offshore wind supply chain. We could end up in a situation with offshore wind like the one with solar at the moment, where if you buy a solar panel, it is 97% made in China. GB Energy can play a role in making sure the offshore wind supply chain is situated here, and that is part of the protection.

The other part is about what could be done in the Bill, although it will not necessarily protect jobs—Mike is right; the Bill itself cannot entirely protect individual jobs. In our submission, we suggest that there could be an amendment to the strategic priorities section and that the statement of strategic priorities should have regard for a just transition, job equality and job creation. It should be embedded as a core part of the statement

so that, when the Secretary of State sits down to prepare it, they go, “Okay, part of what we are going to put in here is about a just transition, job equality and job creation.” That is a possible amendment.

We have also suggested an amendment on protection, particularly given that a lot of the job creation and economic impact will be in Wales and Scotland, so the Bill will play an important role for those nations. That means that those nations should probably have a say, through their devolved Governments, on what happens down the line to GB Energy. Let us say that down the line a future Government goes, “Well, actually we are going to privatise it,” or, “We are going to instruct it to dispose of a lot of assets,” Scotland and Wales should be able to have a say and go, “Well actually, this is about our economy here and we think that shouldn’t happen.” We suggest doing that through an amendment but you could explore different mechanisms, including golden shares for those devolved Governments that specifically say that.

The Chair: Order. Sorry, but I did tell off the shadow Minister for talking about jobs when they are not in the Bill. I think we are straying quite a fair distance away. We are meant to stick within the scope of the contents of the Bill. With that in mind, a brilliant example will be Josh MacAlister.

Q20 Josh MacAlister: Welcome to you both. Mike Clancy, this is a question for you. The Bill allows for future flexibility in the relationship between Great British Energy and Great British Nuclear, which is welcome. Can you share a bit about your and your members’ reflections on the Bill in relation to the establishment of Great British Nuclear under the last Government and any lessons for the autonomy and operation of GBE under this Government, as enabled by the Bill?

Mike Clancy: We are always dealing with very long-term propositions when it comes to energy assets. Whether it is public or private, you need stable investment conditions so that the entity can build confidence and recruit the staff it needs to deliver its mission. I will keep coming back to this: it is an extremely challenging space if you create uncertainty, and even more so for a public entity, in terms of whether high-calibre people wish to commit their energies and talents in what is a globally competitive environment for their skills.

The most important thing we can do is create that stable investment circumstance. For Government, that means accepting the different challenges there are fiscally and in terms of spending. We would say that there can be no successful transition without a nuclear component, and we are obviously advocates of that. Therefore, we are strong advocates of Great British Nuclear. It will need to have—shall we say—that ability to operate within its own circumstances. Nuclear is particular; it has to be done to time and cost, and that is the big issue. The most important thing that the Bill can do is ensure that you have that stable investment and that you make the commitment.

I have been around for a little while. I have probably been involved in more nuclear and energy renaissances than anyone else in the room put together, and I think we need to get to the actual renaissance and get building. If you can give that stability, people will come to this because they are mission-driven, committed individuals who will want to be part of that renaissance.

Q21 Wera Hobhouse: Good morning. I want to come back to clause 5 of the Bill, which is about the statement of strategic priorities. Most of what I have heard this morning is that we are a bit worried about there not being enough detail on certain things. Should there be more detail about the strategic priorities in the Bill, such as job creation, or should there be a precise timeline for when we can actually expect that? The whole purpose of the Bill is to speed up all that energy transition, and currently we do not know when we will see a statement. Is it important that we actually get some timelines in the Bill?

Mike Clancy: The simple answer is yes. The longer there is a concept phase, albeit a positive concept phase, the more that we are talking about a multiplier effect from GBE in many respects. If GBE is delivered, starts to operate and gives confidence to the direction of energy policy, other investors will see this as a serious proposition and therefore we will be engaging in this huge process of energy transition.

As I said just a moment ago, it also means that talented people can see a future. We want to be part of that. So, within the process of parliamentary drafting, the more that we have a clear set of objectives—actually differentiating it as a public entity and setting the tone for what you want from energy assets in the future—the better, because that will give that confidence. That also has a knock-on effect for the confidence of private investors in other parts of the energy environment.

Q22 Uma Kumaran: Thank you both. I really welcome hearing the views of trade unions in this session, especially about keeping workers at the heart of this. Do you think that GB Energy can help to drive the demand for skills and apprenticeships and prepare our workforce for a just transition?

Mika Minio-Paluello: There is a lot of demand at the moment, and a part of the challenge is a significant lack of supply. Part of the reason for that lack of supply is that there is a lack of investment. We as a country have not invested into our workforce sufficiently over time, which is why you get into a situation where different sectors effectively end up poaching people who are most in demand.

GB Energy provides a mechanism as part of solving that. It will not solve it as a whole—the Government have other plans as well to try put that investment in—but it can have a significant role in going, “Yes, here, we are going to provide that long-term investment directly.” Also, clearly, GB Energy will be partnering with the private sector. In that co-operation, it can then say, through its procurement powers, “Okay, in our joint project on this big offshore wind farm, we are going to require the supply chain across the board to be investing into apprenticeships, whether that is one, two or three tiers down,” so that we get that overall growth. It therefore can play a significant role there.

Mike Clancy: I have already touched on this. It might sound strange, but we probably have a bit of a mission at present because of the constraints applied by the previous Administration to remove our members in technical occupations in the energy field from the public sphere, because the labour markets that they operate in reward better in the private sector. The private sector is in a war for talent in this area because, in this country, over the many decades, we have not valued STEM skills

and engineering. I speak as a humanities graduate who is always in awe of people who actually go to institutions and learn things that matter and are then applied for the health of the nation.

We have to start with valuing STEM—valuing it on a diverse basis, ensuring that the workforce reflects our diversity objectives more generally—and having a clear understanding that, even within Government, there can be an element of robbing one to pay for the other, such as with defence and aviation. Lots of areas need these STEM skills, which are then easily transferable into digital skills, and there are better salaries for some of those elsewhere.

If you want to deliver that promise about high-quality jobs, you really have to think and have a labour-market strategy for GB Energy that works in this competitive context at all levels—from apprenticeship, through to technical, through to engineering and even through to doctoral level. Again, in terms of the direction and objectives of the Bill, it is about being an exemplar for the entire energy sector in relation to the skills matrix, with how people are employed and the diversity objectives that any public company should have. That is what the Bill should try to address in sufficient detail.

The Chair: Order. Just a reminder again that we are talking about what is in the Bill—not blue-sky thinking about what GB Energy might do and that kind of stuff.

Q23 Andrew Bowie: I think we are all agreed that “the production, distribution, storage and supply of clean energy” should include nuclear energy—very important to your members, Mr Clancy. But to build on the point from the hon. Member for Whitehaven and Workington, I think there is a lack of clarity in the Bill at the minute over the operational independence and the autonomy of Great British Nuclear. Are you seeking that from the Government? Is it something that we should seek to have in the Bill as it moves through Committee?

Mike Clancy: That is not just in terms of the Bill, I think; the actual future of Great British Nuclear has a degree of uncertainty around it, per se, because, again—I am in danger of repeating myself—we have been here before. I used to be a member of the Nuclear Industry Council some moons ago, and we are rightly evangelists for our members, who deliver nuclear energy. We recognise that there are lots of controversies down the back end, in terms of decommissioning, but nuclear is an essential part of the future energy mix and the achievement of our climate goals. Therefore, there has to be a range of certainties in response—that is not a glib remark at all—and, in the GB Energy area, it is about companies knowing that they can invest and get the return. The Bill needs to be consistent with that.

Q24 Stephen Flynn: You have spoken eloquently and rightly about the energy transition, jobs, skills and STEM, but I have double checked and the Bill contains absolutely no detail about any of those things. Is that correct?

Mika Minio-Paluello: My understanding is that it is not currently in there, but it will be contained in the statement of strategic priorities. There are questions about how much should be added in. We understand that the logic is that the Bill will create an enabling

vehicle—it will enable GB Energy to act and do things—so is it useful to put in many, many limitations? Probably not, because adding in too much detail will slow it down. Is it, on the other hand, useful to put in a clause that says that the statement of strategic priorities should have regard to a just transition and job creation? That could be a consideration.

Q25 Stephen Flynn: But, for clarity, the things that have been spoken about in this context are not in the Bill. Similarly, is there anything within the Bill that gives you certainty that energy bills will be brought down by £300?

Mika Minio-Paluello: Bringing energy bills down is a complicated process that depends on lots of things, including—

Q26 Stephen Flynn: Is it within the Bill though?

Mike Clancy: I suppose my response would be, “How could it be within the Bill?”

Mika Minio-Paluello: Theoretically, the Bill could say, “We will cap energy bills at a certain level,” but it would not be part of GB Energy’s role to cap energy.

Mike Clancy: You cannot divorce this from the fact that GB Energy will operate in a still-privatised energy asset environment, and consequently there are much broader questions about how bills are composed, the energy mix and so on. Those issues are not in the Bill, and I am sure the Chair would stop me going down that path. But I was the field official in energy, so if anyone wants to talk about that we can spend hours on it and the construction of the energy sector. I understand why you asked the question, but GB Energy is one entity within a much broader firmament of energy assets, owned in different ways.

Mika Minio-Paluello: Does the Bill enable the creation of a company that can, over time, grow to be something like EDF, Ørsted or Vattenfall? EDF brought bills down significantly during the energy crisis, when we had soaring bills. Does the Bill create the capacity to do that? Yes.

Mike Clancy: Often the focus in energy policy is on retail, because it affects domestic consumers more than wholesale when things are going a certain way. The biggest thing for us—we represent engineering and science staff—is where the generation is going to come from, what is going down the pipes and how we ensure that consistently and for the long term so that we have energy security and energy down those lines at a competitive price. Clearly, a public sector champion in that regard can be a significant contributor to changing the trajectory of energy prices and giving us indigenous energy security.

The Chair: Are there any further questions from Members?

Stephen Flynn: If there is still time, I am happy to come back.

The Chair: Well, we are not going to fill the time for the sake of it. If you have a genuine question—

Q27 Stephen Flynn: With all due respect, asking a question is not just filling time; it is my job.

For full clarity, you have clarified that it is possible for these things to happen—I do not think anyone would disagree with that—but as it stands the Bill does not provide any certainty about any of those points.

The Chair: Order. Is this a repeat of the previous question? I think—*[Interruption.]* Okay, there is a minute left. Go on.

Stephen Flynn: Again, just for clarity—because you pushed back and said that EDF brought down bills—there is nothing in this Bill, unless you tell me otherwise, that says that GB Energy will do likewise. Is that correct?

Mika Minio-Paluello: I do not think it forces GB Energy to do likewise, but I doubt the legislation that set up EDF forced it to do that. I think it probably set up EDF as a company to operate and gave it freedom to act. The question for Members is: “What do we do to enable the UK to finally be on a par with our peers elsewhere?” Does this create a basis for that? Yes. Then, yes, can you please push and hold the Government to account—

The Chair: Order. I am afraid that brings us to the end of the time allotted for the Committee to ask this section of questions. I thank our witnesses on behalf of the Committee.

Examination of Witnesses

Shaun Spiers, Ravi Gurumurthy and Marc Hedin gave evidence.

10.20 am

The Chair: We will now hear oral evidence from our third panel. We have Shaun Spiers, executive director of Green Alliance, Ravi Gurumurthy, chief executive officer of Nesta, and Marc Hedin, head of UK and Ireland research at Aurora Energy Research. We have until 11 am for this session. Could the witnesses please introduce themselves for the record?

Shaun Spiers: I am Shaun Spiers, executive director of Green Alliance, a think-tank and charity committed to environmental leadership.

Marc Hedin: I am Marc Hedin, head of research for UK and Ireland at Aurora Energy Research. We are a power market analytics company.

Ravi Gurumurthy: I am Ravi Gurumurthy. I am the CEO of Nesta and the behavioural insights team. Nesta designs, tests and scales solutions to big societal problems, including sustainability.

Q28 Andrew Pakes: Thank you all for coming in. Could you tell us a bit more about how GB Energy might benefit from or support the ecosystem of innovation and research we have? We know the Bill is limited; we have had that discussion. I am interested in your thoughts on how what is in the Bill might stimulate the innovation and research that the three of you represent.

Marc Hedin: I think we can reflect a little bit on the role of Great British Energy here. One of the areas for innovation is around investments in less mature technologies. It is one of the roles that was highlighted in the founding statement, published in July earlier this year. There is a

role for that, but I would argue that there is also a possibility for dedicated schemes to deploy capital in less mature technologies. For instance, with regards to long-duration energy storage, we had a consultation earlier this year, generally welcomed by the industry, which looked into implementing a sort of capital flow regime to promote investment into long-duration energy storage. There is a role for GB Energy here, but there are also alternative routes that are potentially less capital-intensive.

The second aspect, touched on earlier, is around supply chain. There is huge scope here for Great British Energy, where, out of all its potential roles, it may provide the best value for money. In GB, the domestic supply chain has not generally benefited that much from the high level of renewable build-out that we have seen in the past decade or so. There is a role for providing visibility to the supply chain, and implementing innovation into the supply chain more generally in the energy sector.

Ravi Gurumurthy: If you think about different barriers to innovation, I think three stand out. One is co-ordination challenges; second is the provision of certain public goods, such as ports infrastructure, which are critical to investment; and third is risk appetite. I think GB Energy can potentially address all those in different ways.

On the risk side, co-investing—particularly in the novel technologies that Marc mentioned—can accelerate that innovation. Secondly, on things such as ports infrastructure, having a body that is trying to do whatever it takes to solve some of the co-ordination issues and the dependencies on public inputs can drive that innovation. One other thing I would mention is that Government have a role, and have increasingly played a more co-ordinated role, in driving directed R&D through the net zero panel. I think Government can be better at that, if they are more informed, and one of the things I think GB Energy will do is to give a stronger insight into the constraints and opportunities in the market, and therefore potentially inform Government's ability to drive innovation in a smarter way.

Shaun Spiers: I obviously agree with all that. The really difficult thing about clean power by 2030 is the last 10% or 20%. It is clear that the market on its own, at the moment, will not provide that, and just adding renewables and grid will not provide it. What GB Energy provides is the potential to invest in things like pump hydropower, compressed air and new technologies that we are going to need. That is going to be essential to achieving the 2030 power decarbonisation.

Q29 Perran Moon: My question is primarily to the Green Alliance. Shaun, what difference will GB Energy make to your analysis of the UK's progress to date to decarbonise power generation?

Shaun Spiers: It is really quite hard to see how the UK will be able to decarbonise power generation, certainly by 2030. By 2035 was really ambitious and by 2030 is even more ambitious, so you do need a vehicle of this sort to crowd in investment and to give a really clear sense of direction to overseas investors and other investors who are looking for places to put their money. This gives a huge impetus to that mission. It is easy to set targets, but unless you have a vehicle to deliver them, they are going to be impossible to achieve. GB Energy is the key vehicle. I would say it is essential.

Ravi Gurumurthy: Nesta and Baringa co-authored a report that I was part of, which included some of the time and cost savings that we think GB Energy can deliver—for instance, the role of GB Energy as what we call the pre-developer, where the Crown Estate takes on this role of basically preparing the sites, doing the planning consents, doing the grid connection and doing the environmental surveys before having potentially a single auction process rather than the current dual auction process. We thought that would reduce the time of getting offshore wind built by two to four years. We also produced some cost savings from doing that, including some reduction in rents. We think this institution can deliver genuine improvements in terms of time and cost.

I would not just stop at the vantage point of 2030, because although I think this will make some impact on 2030, remember that we have to double electricity capacity in this country if we are going to electrify heating and transport, so the 10 years beyond 2030 are just as important. I think GB Energy is an institution for the long term, not just for the next five years.

The Chair: I am being reminded again that we should focus on what is in the Bill; I know we can extrapolate what might happen. Next we go to Olivia Blake.

Q30 Olivia Blake: I have a question about the fact that this is a public company, and it is really important that it is accountable to the public. Do you think that the Bill has sufficient detail about that accountability against its objectives and effectiveness?

Shaun Spiers: We have concerns about the huge powers given to the Secretary of State in the Bill. Clause 5(2) says:

“The Secretary of State may revise or replace the statement.”

A subsequent Secretary of State could significantly revise the aims of GB Energy. We think that the statement should be consulted on. We would propose an addition or amendment to say that the Secretary of State must consult anybody likely to be affected by the statement, or such bodies as considered appropriate by the Secretary of State—something like that, just to say that there should be more scrutiny so that the Secretary of State cannot simply change the aims of GB Energy in the way it is currently set out.

Ravi Gurumurthy: I run an innovation organisation, and the hallmark of good innovation, or of good companies, is that they pivot and adapt. I know that it is sometimes challenging to set up an institution like GB Energy and not lock down all the parameters, but actually that is critical. There are issues and barriers that we do not even know yet, and I think it is important that this organisation can do whatever it takes to achieve the mission, even if we cannot right now identify exactly every single aspect of its role.

Marc Hedlin: I would echo that message that the role of Great British Energy is very broad and is being defined as we speak. That is what we in this room, but also the people working for Great British Energy, are doing at the moment. It could also change in the future as the challenges of energy administration evolve. I therefore think it makes sense for the Bill to provide present and future flexibility in scope.

That being said, there are two points or questions that should potentially be answered. First, what are the governance arrangements to ensure that Great British

Energy carries out its duties and focuses on its remit? Part of the answer could be that it should be ensured that Great British Energy provides additionality and works with stakeholders, which is what Shaun Spiers mentioned. Secondly, since Great British Energy's role is primarily to fill gaps in the market, it would be useful to assess its effectiveness there. Clause 7 only mentions an annual rendition of financial accounts, and there is no mention of effectiveness or impact. Reflecting on the possible roles of Great British Energy, some, such as speeding up project delivery, will lead to value added for the whole system but not necessarily additional revenues for Great British Energy. Financial accounts may only tell part of the story, and there is a need for more comprehensive reporting, in my view.

Shaun Spiers: If I may, just quickly: to require consultation on the strategic priorities if they are going to change radically should not be too onerous.

Q31 Pippa Heylings: My question was exactly on that point. Thank you all for coming here to present your evidence.

Can you explain a little more your concerns? First, given that innovation needs to pivot, but also given that we are being asked to allow for the objects to be so broad to allow for flexibility within them, Shaun, can you explain a little more why you think there should be consultation on such broad objects? Secondly, can you discuss any concerns you may have around environmental requirements for what GB Energy is going to do? That is also absent at the moment from the objects of the Bill.

Shaun Spiers: On the concern about the ability of subsequent Secretaries of State simply to change the strategic direction of the organisation, you can look at recent history to know that there can be radical changes. It does not seem to me to be too demanding; it is just good governance to suggest that that should be consulted on, and that you do not give absolute powers to a Secretary of State to do that. I do not see that as a particular constraint on innovation; I just think of that as good governance.

The Chair is keen that we do not lever in lots of other things on the Bill, but there is a concern. Clearly, 2030 power decarbonisation is an imperative and we need to achieve net zero, but we also have a nature crisis and there are concerns about whether GB Energy will seek to enhance nature or whether nature will take second place. Both the Secretary of State and Chris Stark, the head of mission control, have emphasised that there will be a role for considerations of nature in energy planning. But, again, that is not in the Bill, and it would be nice to see it there or to see some statement to that effect from the Dispatch Box to ensure that it is central to how GB Energy will behave. There are lots of public companies that do not prioritise nature—they prioritise bills or the delivery of their main objective—and we see the consequence of that, for instance, in the water industry.

Q32 Josh MacAlister: This is a follow-up for Ravi Gurumurthy, on the theme of autonomy and flexibility for GBE. For this to be a success, there needs to be some appetite for risk taken by GBE. Historically, Government agencies have not been known for being

particularly free to do that. The Bill intends to provide a degree of flexibility for GBE to operate and respond with autonomy and pace. Given the work that Nesta has done in this space, Ravi, can you say a little more about what gives you the confidence that the Bill sets that up in the right way?

Ravi Gurumurthy: It is a very challenging question. As you know, good intentions in this area often do not translate. You can mandate and say you want to operate with risk appetite, but it does not really translate into behaviour. What do I think are some of the components? The capitalisation of GB Energy is really important, because that gives it some degree of resource to take risks. I am quite interested in whether, as well as investing in novel technologies with a high-risk appetite, GB Energy can either take cashless equity stakes or invest in more established technologies, because if you have a more balanced portfolio, it might give you the ability to take risks in some aspects.

That gets you into a conversation about the fiscal rules. The one thing I would say about this area is that if you compare offshore wind and other established energy technologies with roads or hospitals, the big difference in my mind is that for offshore wind we will build those wind farms whether the state invests or not, and we will pay as consumers, whereas roads and hospitals will not get built if the state does not. The point is that we are going to pay for it, and we will pay more through private sector borrowing than we will through the state.

The second big difference is that unlike a road or a hospital, there was a guaranteed revenue stream through a contract for difference, so there is a really good rationale for why we should not have fiscal rules that bias us towards 100% private sector borrowing, rather than the state either taking a cashless equity stake via this development process or actually investing. If you do that, it will give GB Energy the ability to then take risks on the much more novel aspects of the portfolio and have failures. If GB Energy does not have failures, it will not be doing its job.

Q33 Harriet Cross: We have heard a lot about public investment and the importance of private investment for meeting net zero. Is there anything in the Bill that encourages you that the amount of public investment going in will attract the amount of private investment that is needed? We have to take this Bill in the round with other energy policies coming forward. How does it sit alongside those in ensuring that we continue to attract private investment into the energy sector?

Marc Hedin: I may be playing devil's advocate here, but there is a slight risk if a public company were to invest in a utility scale project. At the moment in GB, we manage to attract quite a lot of capital to deploy renewable projects, for instance. There is also a risk of perceived unfair competition that would be detrimental to future capital attractiveness, so I would add that to the global reflection around this topic.

Ravi Gurumurthy: To come in on that, it is very common in other countries for the state to co-invest. I have spoken to a lot of other organisations, and we need to attract £350 billion to £500 billion of capital into power generation in the next 10 years. I think it is perfectly possible for the state to play a role in that. Everything that GB Energy is trying to do is to reduce the risk and increase the predictability of the investment

environment. If you take the developer role, at the moment the private sector, when it bids in for a seabed lease, has to have the uncertainty of whether that project will ever get commissioned and the long delay in planning and consenting, grid connection and environmental surveys. If we can actually have the state do some of that and de-risk it, I think it is more likely to get that private sector investment. That is what happens in the Netherlands and it is what the Danes are moving towards, and it is also partly what happens in Germany. There is a good track record of these sorts of environments working well to attract private sector investment.

Shaun Spiers: That is right. You cannot dictate the culture of a company in a Bill. There was a criticism of the Green Investment Bank, for instance, that it invested in rather established technologies and had an insufficiently high appetite for risk. It will be important that GB Energy does pump-prime private investment and not replace it.

Q34 Torcuil Crichton: You anticipated my question. To pivot back, Ravi, you talked about innovation, and you talked, Shaun, about closing that 20% towards net zero. What can this Bill and GB Energy do to drive that private sector investment?

Shaun Spiers: Ravi has written the report on it.

Ravi Gurumurthy: Your question is: what can it do to drive private sector investment?

Torcuil Crichton: Yes, what can the Bill and GB Energy itself do?

Ravi Gurumurthy: I have already articulated what it can do on the development side to get rid of some of the risks to do with planning, consenting, grid connection and so on. On the more novel technologies—small modular reactors, floating wind, tidal range and so on—I think we have also talked about how if the state is co-investing in some way, it signals a degree of commitment and insulates companies slightly from the risks. In both the investor and developer roles, GB Energy can play a role in accelerating things. The biggest way in which the state can de-risk investment and increase private sector contribution is through the National Energy System Operator, providing a clear, strategic plan and forward visibility of what is happening in terms of technology and location. That is how I think we will get the investment—not just in the assets, but in the supply chain as well.

Shaun Spiers: On clean, flexible power, what Green Alliance has proposed is a sort of vaccine taskforce-style operation to crowd in all potential technologies for this. It is not clear who would fund it, if GB Energy did not. That is a really important part of 2030 power decarbonisation. There is also the local power plan. The previous Government had a plan—I think it was in 2014—to power 1 million homes by community energy, which was abandoned four years later with about 67,000 homes powered. There is a clear remit here for making community energy economically viable and getting local investment in community energy.

Q35 Wera Hobhouse: I want to come back to what Shaun said a little earlier about the slight risk of the great power that the Secretary of State has. Do you think that there should be some protection in the Bill for communities, so that they can have a say? We also

know that quite a lot of the delivery of our new transition infrastructure might be delayed because communities are not entirely certain, for instance. Is there a risk, and should there be something in the Bill that protects communities, so that they can be confident they are part of the transition and are being listened to?

Shaun Spiers: I think a nature recovery or nature protection duty in the Bill would be helpful in reassuring communities. The investment in community energy, where people really have a stake in the energy, will take some of the sting out of the opposition to renewables, but I would not overload the Bill with things that are better dealt with in the planning system. This is a Bill to enable a lot of investment in achieving a decarbonised power system and long-term energy security. To try to overload it with things that are best dealt with in other parts of government, or other legislation, would be a mistake.

Wera Hobhouse: So the Bill is sufficient in protecting communities?

Shaun Spiers: I would like to see a nature recovery duty in the Bill.

Q36 Catherine Fookes: Welcome to the participants. My question follows on beautifully from Shaun's comments around community. How do we think that GB Energy can accelerate and drive investment in the development of community enterprise and community energy?

Shaun Spiers: One thing that is necessary to say is that this is a major part of the transition and a priority of the Government. That was the case for periods during the coalition, when there was a really vibrant community energy movement and a sense in which people were coming around to supporting renewable energy—which otherwise they would have opposed—because they could see they had a financial stake in it but had also been engaged in developing it. What snuffed that out had more to do with planning issues than with investment, but there are ways in which GB Energy can pump-prime some of the investment.

I am trying to think back to the community energy manifesto we put together in 2018. I cannot think of any specific things, but I can write to the Committee, if that is helpful. There are specific financial incentives that would help get this off the ground. To be honest, though, communities across the country were really keen on community energy. It was a vibrant movement and could be again, with the right political framework as much as investment.

Q37 Uma Kumaran: Thank you, panel. We have been hearing a lot today about the mission to make the UK a clean energy superpower, moving away from fossil fuels. I want to touch on something that Shaun, Marc and Ravi have all mentioned, about leadership, ambition and innovation. In your view, does the Bill give investors increased confidence to invest in the UK in the energy sector?

Ravi Gurumurthy: You have to think about this as a whole package. If you have absolute clarity and conviction around the 2030 decarbonisation target and the pathway beyond that, and if you translate that intent into a strategic plan—with clarity about the technologies and their location through the NESO—and if you then have an enabling, activating agency like GB Energy clearing

away some of the barriers, then the combination of that overall ambition, that plan and GB Energy does I think hugely accelerate investments into the sector. But you have got to do all three.

Marc Hedin: I think that is right. I think there are two key components here. One is identifying gaps in the market, where Great British Energy can provide a lot of value and can reinforce confidence from investors, and thinking hard about where it makes sense for Great British Energy to invest. We have mentioned points like local power plans, innovative technologies. I think there is a range of areas in which it makes a lot of sense for the state to co-invest through Great British Energy to develop those industries. The last point is around supply chain, to really support the whole energy transition.

Shaun Spiers: I agree with that. This is a part of a bigger picture. We keep coming back to the scope of the Bill. The Bill, in its objects, talks about

“measures for ensuring the security of supply of energy”

One area that really has not been given sufficient attention is critical raw materials, where we import 100% and then we export 100% for recycling elsewhere. There are 37 lithium recycling factories in the EU but none in the UK. This is the sort of industry that Great British Energy could help pump-prime, if that is seen as within its scope.

Q38 Stephen Flynn: Again, you have spoken very eloquently about the opportunities that may or may not exist under GB Energy, particularly with regard to the risk appetite that needs to be there. You have perhaps delved into some areas in relation to planning and Crown Estate; where they sit within the devolved competency of the Scottish Parliament. I will not ask you to comment on that because that would be deeply unfair, but what you and others have done is delve into the strategic priorities and what you think they could be. Do you think it is helpful or unhelpful that at this juncture we do not have a full understanding of what those strategic priorities are, given that the Bill is going through in its current form?

Shaun Spiers: I think the more that can be done to set out the strategic priorities, the better. I do not think it necessarily needs to be in the Bill. The explanatory statement and the introductions and so on I think do give a reasonably good steer on what the strategic priorities are, but obviously this body is being set up at pace. The more clarity there is on what it is going to do, the better. I would not set unreasonable expectations of a body that is being set up really quickly, with a pretty clear short-term aim of 2030 power decarbonisation and of supporting that. However, in the longer term the priorities clearly need to be set out.

Ravi Gurumurthy: The NESO will be producing its plan in October, and you have then got the next carbon budget in February, so the actual pathway to 2030 and to 2050 will start to become even clearer in the coming months. It will need to be flexible, however. There will be technologies which emerge that shift our sense of what to focus on. You need priorities, but you do need quite a lot of flexibility in this system.

Marc Hedin: I made the point, I think, at the very beginning that we need a very flexible scope because there will be challenges to the energy transition. We need room to adapt. If this vehicle is to facilitate the

energy transition, we need that scope to be relatively broad. I did mention a couple of safeguards, more like accountability, and I think that is still reasonable to ask. However, in terms of strategic priorities, I think the scope is broad enough and makes sense.

Q39 Perran Moon: As a proud Cornishman, I am very excited about the reopening of our tin mines and our lithium mines. I was very pleased to hear you mention critical minerals. Can you elaborate a little on how you think GB Energy can support the UK’s domestic critical minerals industry?

Shaun Spiers: By investing in it. It is more a question of the recycling, because there is a big recycling industry elsewhere. When the UK was the pioneer in offshore wind, it was easy to import critical raw materials and then not bother about reusing them and just import more. As the Foreign Secretary was talking about in his speech at Kew, there are now real concerns about the shortage of critical raw materials across the world. Because they are needed for so many technologies, and so many technologies that are essential to the transition, we need a plan for the transition that includes recycling plants. Lithium mining in Cornwall is great, but we also need not be exporting our critical raw materials to be repurposed elsewhere, and then reimporting the repurposed ones. There are 37 recycling plants in the EU, while in China there were 61 waste lithium battery recycling and processing companies two years ago, and it is a growing industry. It has not grown in the UK, it has not had attention, and I think that if GB Energy is committed to long-term energy security, which it is, then it could play a part in getting that industry going in the UK.

The Chair: We are straying quite far from the scope of the Bill. It is an interesting discussion, and it could carry on offline afterwards, but it is not within the scope of this Bill. Are there any more questions? If there are no further questions from Committee members, I thank the witnesses for their evidence.

Examination of Witnesses

Dan McGrail and Adam Berman gave evidence.

10.52 am

The Chair: Welcome to our fourth and final panel this morning. We will now hear oral evidence from Dan McGrail, CEO of RenewableUK, and Adam Berman, who is director of policy at Energy UK. For this session we have until 11.25 am. There are questions at 11.30 am in the Chamber—I have one myself.

Michael Shanks: I think a few of us have.

The Chair: A few of us have. Okay, if we finish early, we have more time to leg it over there. Please could the witnesses introduce themselves.

Dan McGrail: Good morning everybody, my name is Dan McGrail, I am the chief executive of RenewableUK, which is a trade association representing the wind industry predominantly, but also the tidal energy sector and crucially, the supply chain that sits within that. We have

about 500 member companies across the UK and we work closely with devolved Administrations and national Government.

Adam Berman: Good morning. My name is Adam Berman, I am director of policy and advocacy at Energy UK, which represents the whole of the energy sector really, short of upstream oil and gas extraction—everything from all the forms of generation, right through the networks and into household level. We represent the retail energy suppliers as well.

Q40 Andrew Bowie: For the record, can I say how nice it is to see Dan again? And also to thank you, Adam, and Emma for the support and, indeed, challenge you posed when I was sitting on the other side, talking through the Energy Bill last year. I ask of both the panellists: the strategic policies and plans are set out in the Bill—are they adequate for GB Energy and indeed the aims and ambitions of your organisations as you seek to see them progress?

Dan McGrail: It is good to see you too, shadow Minister. First, I think there is a trade-off in legislation like this, between the focus you want to provide, and the guard rails put into the Bill, and giving the entrepreneurial freedom to the organisation to invest where opportunities arise. We believe, and the report we wrote prior to the release of this was quite clear, that focus is important, but is legislation the place to put the focus? Our view is that the business plan that is set up and put in place by the chief executive and their team, once appointed, is the place to put that focus. It will be much more predictable if it is developed by experts in the sector who have conducted a thorough analysis of where the opportunities are for investment, and where the real additionality is.

One additional point that is important to detail in the statement, when it comes, is how the investment priorities of GB Energy would be different from those of the private sector. Would GB Energy take a longer view on returns on investment? Would it have a different rate of return? That would help to clarify the role of GB Energy within the ecosystem of the sector and with other private investors so that there is understanding of where real partnership opportunities lie.

In short, the answer to your question is that it is important to have a focus, but do the focus in the plan rather than in the legislation.

Adam Berman: I certainly agree with Dan. My one reservation with the legislation is that GB Energy will face two distinct competing priorities: the first is making money, which would probably primarily come from established mature renewables, and the second is solving distinct problems within the energy system that are a result of market failures. There is some overlap—although not complete overlap—between those two priorities. The question is whether there should be more clarity in the legislation over which strategic objective GB Energy should be solving. That is not an issue for industry to resolve, but it is something that, without stronger guidance in the legislation, GB Energy may struggle to reconcile once it is formed.

Q41 Andrew Bowie: Do you think there is enough provision in the Bill to allow for the Secretary of State to be publicly accountable for the decisions that he or she may take in the future, in regard to the concerns you have just raised?

Adam Berman: I do not think there is a deficit in terms of accountability, and I do not think there are 500 bodies that should be consulted before any decision is made by GB Energy; if you look at things like the planning system and statutory consultees, you can see how that is an issue. That being said, there is a list of organisations that any Secretary of State should consult, through their due diligence, which is everyone from the National Energy System Operator to the Climate Change Committee to industry to devolved Administrations. We would very much assume that the Secretary of State and the Department would do that due diligence themselves. However, I do not think shackling GB Energy through the legislation to having to do that to make every decision is necessarily the right approach.

Dan McGrail: I fully agree with that.

Q42 Olivia Blake: I wanted to ask about the definition in the Bill on clean energy. Do either of you have any thoughts on whether that definition is clear enough?

Dan McGrail: From my perspective, the definition is probably good enough. It is quite tricky to go too narrow and say renewable energy only, because there are certain areas, such as long duration storage, where the sector would like GB Energy to participate in, or at least to have the freedom to participate in, which, if it is too narrowly constrained or defined, may prove problematic later down the line.

One thing I think would be advantageous in the definition, or in the objects, is to clearly set out the guard rails, such as ensuring the carbon budgets are referenced. If we reference the carbon budgets, future Secretaries of State would need to make sure that any investments that were made were in line with the delivery of the carbon budgets. That is comparable to what was done with the set-up of the Green Investment Bank, where there were specific references to what the Secretary of State would need to go back to primary legislation to change, and what would be foreseeable within secondary legislation—not directing the Green Investment Bank to invest in fossil fuels, for example, would have required a complete change of mandate. I think some similar thinking, therefore, would be helpful here.

Adam Berman: I do not completely agree. I do not think there is a big problem of definition, but I would say that we need to ensure it is consistent with the CCC's existing language and with the technologies that it thinks are consistent with the sixth carbon budget. Clean energy may encapsulate all of them, but I think we would have to make sure that it includes established mature renewables, nuclear, carbon capture, utilisation and storage and hydrogen, just to leave those options on the table. I do not disagree with Dan that there needs to be a focus, but GB Energy needs to at least be given the option to engage in the technologies where it thinks there may be additionality in terms of bringing in GBE's involvement.

Q43 Pippa Heylings: To go back to the few organisations that you mentioned in connection with consultation, you got to devolved Administrations but I did not hear about local government. The Local Government Association has been pushing very hard and is keen for the place-makers—those who understand what demand will be, what the spatial strategies are and what land is

available—to be part of the planning very early on. Do you agree that they should be included in the shortened consultation list?

Adam Berman: Clearly I agree that they are of incredible importance when it comes to planning the energy system and that the dialogue with them about the local communities that they know better than anyone else is pivotal. The challenge is that for GB Energy, as far as I understand it, a major part of it is local power plans, which will already have involved close consultation with local authorities and communities in lots of different ways.

From an industry perspective, I would be hesitant about placing that as a condition on GB Energy's investment. That is not to diminish its importance; it is just to ensure that we are allowing GB Energy to be successful and that we are not holding it back. There is a very good argument that that should be included in the legislation, and that the national energy system operator and the Climate Change Committee should be included in the legislation, but once we have gone through all those bodies, it starts to become prohibitive for the investment process, which we want to be free and fair for GB Energy. We are therefore slightly hesitant about saying that we necessarily have to look to any particular body for consultation.

Q44 Pippa Heylings: May I follow up on that? We are looking at the governance side. We know that on the spatial side, we have the local energy action plan. Rather than taking an individual look, I am looking at how we ensure that where that spatial strategy happens, rather than talking about individual local community consultations, those who know about the place-making are brought into the energy planning early. I fear that leaving them out will once again endanger all the progress that has been made in local energy area planning. We just need a reference to it somehow.

Adam Berman: That is a really good point. I think that there could be something in the legislation to ensure that GB Energy's investments are consistent not only with the local area energy planning, but with the strategic spatial energy planning that the energy system operator is doing.

Dan McGrail: There is a really important point here about how, to be successful in the market, GB Energy will need to engage with those processes anyway. There will be accountability around the company, but one nervousness I have is about trying to put too much into the Bill specifically on GB Energy. I agree that the point should be about complying with the things that we need to deal with, whether those are in law, in programmes such as the strategic spatial energy plan or in the work of the national system operator. Those are all interconnected and contiguous pieces of a system in which GB Energy needs to be able to operate effectively. The onus, if we put anything in legislation, is to be compliant with all that.

The Chair: We are getting away from the Bill a bit.

Q45 Torcuil Crichton: Good morning, gentlemen. Dan, you have argued in the past that GB Energy should have a very focused mission. What is your view of the objects for GB Energy set out in clause 3?

Dan McGrail: I firmly stand by the idea that GB Energy, at least in its initial phase, should do three or four things excellently, with some fundamental underpinning. It should

champion the UK supply chain; it should act to promote skills; it should enable innovation. The market segments in which it operates should be focused on and defined early. Its budget of £8.3 billion is a lot of money, but to get value from that in the context of the energy sector, GB Energy needs to focus on two or three areas in which it can really deliver additionality. I think the place for that is in the business plan, rather than in the legislation. As the legislation is currently framed, it allows the team the space, when they begin the work of the company, to define those two or three areas; it does not narrow them down. My view is that the legislation as drafted gives it that space.

Q46 Josh MacAlister: Dan McGrail, this is a question for you. What are the views of your private sector members about the role that GB Energy can play in de-risking investments and crowding in private sector investment? What are they saying at the moment?

Dan McGrail: Occupying space where there is a highly liquid market for private capital is unlikely to bring much additionality. Offshore wind is one of those places—fixed-bottom offshore wind, to be precise. That is a mature market; there is capital that will flow to projects if the wider investment conditions of those projects are right, and that is more Government policy-related. However, there are other markets. For example, onshore wind in England has basically been under-invested in for the past decade. There will still be nervousness within the private sector: “Do I want to be the first developer to test local planning? What does the risk profile of that look like?”

I see a clear role for GB Energy to partner with the private sector to help to accelerate the return of investment in that market, or for example within the growth of the floating offshore wind market, where there are clear opportunities that go beyond just the energy sector and into transition, such as floating offshore wind in Scotland or in the Celtic sea, where we know that there is a much bigger economic growth story. Those are areas where I think we could see public and private capital working very comfortably together.

Q47 Wera Hobhouse: We had a line of questioning around research and development. Do you think it is important that the Bill is future-proofed in that way—that GB Energy really focuses on those markets and those projects where the private investors would not come in behind? Is there any way in which the Bill could strengthen that? Research and innovation is probably one of the main focuses of what GB Energy can deliver successfully.

Adam Berman: A fundamental conundrum with GB Energy will be the extent to which, through legislation, you want to constrain its investment activities. Clearly, from an industry perspective, we are very keen that there be an emphasis on additionality, on complementing and not duplicating private sector capital that is already there.

Dan mentioned wind. The recent CfD allocation round 6 auction crowded in about £20 billion of private sector investment—that is one year and one auction. That is not to say that £8.3 billion capitalised over a Parliament is not a significant sum of money; it is to say that if we want the most bang for buck, it is absolutely about thinking about those areas where it can be

complementary to the private sector. On the one hand I am saying that, yes, industry would be very happy for GB Energy to have that as a focus, but it is also fair to say that it would be a restriction in GB Energy's activities if it were only to engage in a space that enabled additionality, because it would restrict some of the investment portfolio that it could end up with.

Dan McGrail: The private sector and the industry in general have been quite clear that we see a real benefit in the participation of GB Energy in emergent technology, such as tidal energy. However, even within the five founding statements, there is nothing specific about fostering UK home-grown innovation. I would err on the side of caution within legislation, or at least I would not put it as a boundary condition. It should not be the only thing, but if it were somewhere in the plan—either in the founding statements, if they get modified, or in the plans brought forward by the Secretary of State—that would be healthy.

Q48 Catherine Fookes: It is good to see you both. You were not here for the earlier sessions, but there were a lot of questions about whether there is enough detail in the Bill. Before I was an MP, I used to be the CEO of a charity; if the objects of that charity had gone into an incredible amount of detail telling me exactly what to do, it would have been very difficult 10 years down the line, when I joined the charity, to pivot and do what we did. I think you are absolutely right: we are hearing from every single witness that the Bill needs to be general enough to allow the business plan to be developed by the experts running the company. You are chiming with everyone else, which is interesting and good.

My question is about tidal power. I represent a Welsh constituency, Monmouthshire. We have the River Severn in the south of the constituency, which is a tidal river, and we have the Celtic sea. What opportunities will the Bill give to generate more tidal power?

Dan McGrail: The Bill allows space for GB Energy to take quite an activist role in the sector. I am aware of tidal power companies that are already very keen to engage with GB Energy on specific proposals. One thing about tidal power is that we have seen the success of many projects through the CfD auctions. We need to see them come to investment decisions. The more we can see a state actor enabling companies to take decisions, the more it will help to scale up the industry and then the technologies. From the technologies, we can hopefully deliver the kind of supply chain growth and jobs in local communities to which we all aspire.

Q49 Perran Moon: Clause 5(1) requires the Secretary of State to

“prepare a statement of strategic priorities”.

I have been listening carefully to the priorities on skills and innovation from your perspective. Let me ask you both: if you were Secretary of State, what would be your key strategic priorities be for the Bill?

Adam Berman: The first is public value, which goes beyond the ability of GB Energy to create profits and return them to energy bills or whatever mechanism it

might come up with. That is not to say that that is not important, but if this is new money—a significant amount of new capital—being made available by the Treasury, it is about how we, as a society and as an economy, can get the most out of those investments. So I would say public value, which is about not just financial returns but broader public benefits.

Secondly, it is about spreading economic activity and about how that links into the industrial strategy. That might be for the supply chain and also for GB Energy, but we should think not just about particular technologies but about particular regions.

A third priority would be the delivery of the UK's legal objectives—its legally binding climate commitments.

A fourth priority would be the delivery of the National Energy System Operator's priorities, which links to the strategic spatial energy plan that we have already been talking about, and ensuring that it helps to foster a workable decarbonised power sector. For example, we could see solutions such as GB Energy putting investment into wind or solar in areas with higher constraint costs or lower population centres with higher land use costs, which are not as attractive to private investors at the moment, but which with GB Energy's lower cost of capital may well still be a profitable enterprise. It is about how we can have a win-win with NESO's objectives.

Finally, impact on investment cannot be ignored. I recognise that it is not the Government's intention at all that there be an impact on private sector investment, but we need to ensure, as a founding principle, that there is not a risk that any GB Energy investment could deter or crowd out private sector investment.

Dan McGrail: I would add one thing to that very good summary. There are a number of new institutions being set up at the same time—NESO, mission control, GB Energy. There are also a number of big initiatives such as strategic spatial energy plans and centralised network planning. It would be very helpful for the sector and for industry to understand the interaction of those with the national wealth fund. I almost see an organogram in my mind of how things flow. In my conversations with the sector, there have been questions about where the limit of GB Energy ends and where the National Wealth Fund begins, and so on and so forth. It would be enormously helpful for the sector and for other institutions such as the Scottish National Investment Bank and UKIB to understand how they fit within that matrix.

The Chair: If there are no further questions from Members, may I thank the witnesses for their evidence?

That brings us to the end of our morning sitting. We have had four panels with eight witnesses—thanks, everyone. The Committee will meet again in this Committee Room at 2 o'clock, when I will have turned into Sir Roger Gale.

Ordered, That further consideration be now adjourned. (*Anna Turley.*)

11.15 am

Adjourned till this day at Two o'clock.