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PARLIAMENTARY DEBATES
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HOUSE OF LORDS
OFFICIAL REPORT

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The first time a Member speaks to a new piece of parliamentary business, the following abbreviations are used to show their party affiliation:

Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

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House of Lords

Tuesday, 3 November 2015.

2.30 pm

Prayers—read by the Lord Bishop of Sheffield.

Introduction: Baroness Pidding

2.38 pm

Emma Samantha Pidding, CBE, having been created Baroness Pidding, of Amersham in the County of Buckinghamshire, was introduced and took the oath, supported by Baroness Shephard of Northwold and Lord Bates, and signed an undertaking to abide by the Code of Conduct.

Introduction: Baroness Scott of Bybrook

2.43 pm

Jane Antoinette Scott, OBE, having been created Baroness Scott of Bybrook, of Upper Wraxall in the County of Wiltshire, was introduced and took the oath, supported by Lord King of Bridgwater and Lord Dobbs, and signed an undertaking to abide by the Code of Conduct.

UK Constitutional Convention

Question

2.49 pm

Asked by Lord Foulkes of Cumnock

To ask Her Majesty's Government whether they will consider establishing a United Kingdom constitutional convention.

Baroness Chisholm of Owlpen (Con): The Government continue to consider a variety of approaches as they reflect on the British constitution, but our immediate focus must be on implementing a fair and balanced constitutional settlement that works for all the people of the United Kingdom.

Lord Foulkes of Cumnock (Lab): My Lords, are the Government aware that such a convention is now supported by almost all the other political parties; by a wide variety of organisations, including the Local Government Association, the Electoral Reform Society and Unlock Democracy; and by most of the academics in this field—and, indeed, by many of the noble Baroness's colleagues on her own side? When will the Government join this growing consensus so that constitutional reform is dealt with in a coherent and comprehensive way instead of in the current piecemeal fashion?

Baroness Chisholm of Owlpen: I know that the noble Lord is passionate about and an expert on this subject, and I would like to say to him that the objective of all these groups is one that the Government

share: to ensure that while the constitution continues to evolve, it does so in a way that safeguards its stability and fairness, the unity of the nation and the sovereignty of Parliament. There will of course be plenty of opportunities for constitutional scrutiny and debate along the way.

Lord Pearson of Rannoch (UKIP): My Lords, does the noble Baroness agree that, under our first past the post system, modern Governments are formed with the support of a mere quarter of the electorate and only a third of the votes cast in general elections? Should we not at least try to restore our lost democracy through some form of proportional representation?

Baroness Chisholm of Owlpen: My Lords, there is nothing to suggest that the public want to be involved in a constitutional convention. The Government were elected on a mandate to deliver their commitment to further devolution, and that is what we are doing.

Lord Purvis of Tweed (LD): My Lords, I share the Minister's view about the passion and expertise of the noble Lord, Lord Foulkes—my co-chair of the All-Party Parliamentary Group on Reform, Decentralisation and Devolution in the UK. Does she not also agree that a common feature of the debates that we have been having recently on English votes for English laws, on boundaries and electoral registration and on the size and role of this House is that they should no longer be looked at in isolation and should take into consideration the wider whole? I might be immodest, but I would suggest that the Constitutional Convention Bill, which is currently being debated by your Lordships' House, may well be the best opportunity to bring not only all parties but also the civic groups together. At the very least, will the Government offer technical support or even time in another place, if the Bill passes in this House, for civic groups to progress this work?

Baroness Chisholm of Owlpen: The noble Lord has promoted his Bill with passion. There will be plenty of opportunities for constitutional scrutiny and debate both in the House and beyond, and I am in no doubt that all these groups will benefit from the insight and experience of the noble Lord, Lord Purvis. I cannot guarantee House of Commons time; that is down to the other place and the usual channels.

Lord Cunningham of Felling (Lab): My Lords, there is an overwhelming body of opinion in support of a constitutional convention as by far the best way to make changes to the constitution of our Parliament and our country. In view of what the Minister has just said, is it not inappropriate that we should now be contemplating a significant change to the powers of this House on the basis of a temper tantrum by the Prime Minister and the Chancellor of the Exchequer? The Joint Committee's report on the conventions of the UK Parliament, which was unanimously approved by this House and the other place, stated that this House is perfectly entitled to vote down a statutory instrument. Is this any way to make fundamental constitutional changes?

Baroness Chisholm of Owlpen: My Lords, all these matters are going to be looked into shortly. As noble Lords will know, my noble friend Lord Strathclyde is setting up a review to look into these matters and it would be wrong for me to pre-empt what that review is going to say.

Lord Forsyth of Drumlean (Con): My Lords, the United Kingdom itself is hanging by a thread, thanks to constitutional tinkering; there are now disputes between both Houses of Parliament; and we have experienced piecemeal constitutional reform. If we are not to have a constitutional convention, how do the Government propose to look at these things together, in the round, and find a long-term, stable relationship for the future of our constitution?

Baroness Chisholm of Owlpen: A static convention, deciding constitutional matters once and for all, does not really fit with this country's tradition of evolving and adapting its constitutional arrangements in line with its people's expectations and needs. A convention would bundle together a number of complex issues and it is likely not to give each due attention. We prefer a tailored approach, ensuring that each part of the UK gets a fair settlement and that the overall settlement is always balanced and fair.

Baroness Smith of Basildon (Lab): My Lords, the noble Baroness says that we prefer a different approach. She has come forward with that approach because the Government lost a vote last week. Does she accept the comments made at the weekend by the noble Lord, Lord Strathclyde, when he described Members of the House of Lords as "rabble rousers" and said that he will make them pay in his review? Does she accept that a constitutional constitution is the best way of looking at all these issues—and wider ones—in the round and that any changes that are made to how your Lordships' House, or the other place, operates should be made in the public interest, not the Government's narrow, partisan one?

Baroness Chisholm of Owlpen: My noble friend Lord Strathclyde's review is very specific. It is on the matters of last week, when this House withheld its approval to financial measures that had been approved three times by the other House. A convention exists and it was broken. We want to get things back on an even keel.

Lord Cormack (Con): My Lords, would my noble friend accept that it is very important indeed that, before my noble friend Lord Strathclyde reports to this House—it is to the House that he is answerable—he takes with him those Labour constitutionalists who voted in the government Lobby last week and people like the noble Lord, Lord Lisvane, so that whatever is produced commands a cross-section of support in this House?

Baroness Chisholm of Owlpen: My Lords, I know that there is wide interest in this subject. My noble friend Lord Strathclyde will report back to the Government. During the review he will take careful interest in what noble Lords from all sides of this House say.

Housing: Underoccupancy Charge Question

2.56 pm

Asked by **Baroness Quin**

To ask Her Majesty's Government whether they have plans to undertake a regional study of the effects of the under-occupancy charge.

The Minister of State, Department for Work and Pensions (Lord Freud) (Con): We commissioned a two-year independent evaluation in 2013, which included looking at the regional effects. The final report will be published in due course. There is already clear evidence that regions are adjusting to the policy. In the north-west, for example, there has been a 22% fall in the number of households subject to a reduction over the past two years.

Baroness Quin (Lab): My Lords, I believe that recent studies show a wide variation between and, in some cases, within regions. In the north-east, in Newcastle for example, there has been no overcrowding problem—a problem that the Government said they wanted to address—but there is a huge shortage of one-bedroom flats, so that people cannot downsize but bear the full brunt of the bedroom tax. The Newcastle University study showed that many people had been forced into debt for the first time and that their health and well-being, contrary to the Government's claims, have suffered hugely as a result. I urge the Minister—indeed, I invite him—to visit Newcastle and the north-east to meet with people directly affected and listen to their experiences.

Lord Freud: The noble Baroness is right that there is quite a lot of variation in the regional responses. I gave the example of the north-west, where there had been a reduction of 22%. The two regions that have reduced the smallest amount in England and Wales are the north-east, and Yorkshire and Humber. Other areas, such as London, the east of England and the north-west are the outliers on the upside. The other two have had the least-efficient response to this policy.

Lord Best (CB): My Lords, I know that the Minister feels immense sympathy for those people who are unable to move, such as the tenants in Knowsley, where I was on Friday, who cannot downsize even though they wish to. They have taken a big hit in their standard of living. Will he join with me in commending the resilience and fortitude of those families that have taken a drop in income as a result of the so-called bedroom tax and borne a disproportionate share of the burden of deficit reduction?

Lord Freud: The noble Lord is quite right to make the point that this is about deficit reduction, for which this has been an important policy. It has now had savings of £1 billion over that period. People have had a range of responses, but the most important is that many people have gone into work or moved off the benefits system, mainly by going into work. That is 70,000 of the 90,000 reduction.

Lord Kirkwood of Kirkhope (LD): Does the Minister accept that there is an important regional dimension to all this? I support the request made by the noble Baroness, Lady Quin, for a regional look at some of this, and also her idea of looking again at the Newcastle study, which demonstrated not only that the bedroom tax increased poverty but that it had an adverse effect on health and well-being, and on social responsibility and networks within neighbourhoods. When the final report is published, will he use his best offices to get a regional dimension into it, so that it considers the community-wide impact, not just the household impact, and the totality of the policy across the piece? I hope that the report will be published before the end of the year.

Lord Freud: Yes, the current plan is to publish the report before the end of the year. It does incorporate the regional effects, and I will take the noble Lord's points about how thoroughly it does so when I go back and talk to the team. For very obvious reasons, I have not seen what is inside that report before it is published, but I will transmit those thoughts to the team.

The Lord Bishop of St Albans: My Lords, back in 2013 the Environment, Food and Rural Affairs Committee urged that social housing in rural areas should be excluded from the underoccupancy charge, because of the near impossibility of finding alternative accommodation in many rural areas, where it simply is not available for people to downsize. Already people in rural areas have higher social and housing costs, and there is some evidence that the underoccupancy charge is pushing some families further into debt. Will the Minister tell the House whether Her Majesty's Government would be willing to undertake a reconsideration of their policy and exclude social housing in rural areas from this measure?

Lord Freud: We are actually sympathetic to that point about rural communities, and we ramped up the amount of discretionary housing payments which were particularly targeted at the most remote rural areas, so that the policy could be dealt with by that route.

Baroness Eaton (Con): My Lords—

Baroness Sherlock (Lab): My Lords, can I come back to the Question—

Baroness Eaton: Could my noble friend the Minister say what Her Majesty's Government have done to support local authorities in mitigating the effects of this policy?

Lord Freud: The key route is through the discretionary housing payments, on which we have now spent £470 million in total—£175 million on this particular policy. We have had a range of initiatives to support people, including those living in social housing, into sustained employment. The figure for those in social housing who are workless has now dropped to an all-time low of 39%.

EU Migration: Valletta Summit Question

3.03 pm

Asked by **Lord Hylton**

To ask Her Majesty's Government what they hope will be achieved at the November European Council meeting on migration to be held in Valletta, Malta.

The Minister of State, Foreign and Commonwealth Office (Baroness Anelay of St Johns): My Lords, we are working to ensure that the Valletta summit builds a genuine partnership between Africa and Europe to tackle the causes and consequences of irregular migration. Our aim is an action plan that addresses the root causes, combats people smuggling and human trafficking, provides protection for those in need and agrees action to return those who do not require protection.

Lord Hylton (CB): I thank the Minister. Will the European Council take account of the fact that there are some 2.5 million people between Ethiopia, Libya and Turkey, all eager to get to Europe? Has there been any progress so far on creating safe zones and safe routes, and will the Government respond to the statement by a large number of lawyers, including some former judges, on this very subject?

Baroness Anelay of St Johns: My Lords, the noble Lord refers to the European Council. The Question refers to the meeting in Valetta, which was called following discussion in the European Council. However, this matter concerns relationships between Africa and the EU. I am sure that the European Union is looking at a wide range of issues. The noble Lord is absolutely right to raise safe zones. The UK is open to considering any feasible options to protect civilians—for example, in Syria. There has been talk of safe or protected zones but history tells us that implementing genuinely safe zones is difficult. However, the fact that it is difficult does not mean that we should avoid trying to achieve it.

Lord Collins of Highbury (Lab): My Lords, as winter approaches conditions in refugee camps, particularly in the Lebanon, are becoming deplorable. In last week's debate on Syria in this House, the noble Baroness the Minister for DfID said that the Government intended to take 1,000 refugees before the end of this year out of the 20,000 that they promised to take. Does the Minister really think that this is an adequate response to this crisis?

Baroness Anelay of St Johns: My Lords, although this issue is not related to the Question on the Order Paper, which concerns the Valetta summit, I appreciate the real concern around the House on these matters, so, with the leave of the House, I will respond to the noble Lord. My right honourable friend the Prime Minister announced that over this Parliament we would take an extra 20,000 people from Syria who are in desperate need—so it is not a quota but a judgment regarding those in desperate need—and gave a

[BARONESS ANELAY OF ST JOHNS] commitment that 1,000 of those would be in this country by Christmas. All departments across Government are working to make sure that they have safe accommodation and care when they are here. Overall, we have led the way in providing aid to ensure that those in unsafe zones can have a life there. At the moment, £1.15 billion has been invested in the Syria and Iraq area.

Baroness Smith of Newnham (LD): My Lords, the International Organization for Migration estimates that over this weekend alone 28,000 refugees and migrants tried to enter Greece. That puts the figures into perspective. That is 40% more than Her Majesty's Government are saying they will take from Syria over the course of a whole Parliament. The Minister mentioned that one of the focuses of the Valletta summit is addressing the root causes of immigration. Another one is establishing and organising legal migration channels. Can the Minister tell us whether Her Majesty's Government will engage in this aspect of the Valletta summit, or will they merely opt out?

Baroness Anelay of St Johns: My Lords, it is clear that everybody who will participate at Valletta will consider what legal routes of migration are appropriate. This Government have already made it clear that migration has assisted this country but it needs to be managed and legal. Other aspects will need to be discussed at Valletta. There will be an agreement at the end to make sure that all parties understand that we need to assist those in greatest need and in the greatest crisis areas across all of the Horn of Africa and north Africa.

Lord West of Spithead (Lab): My Lords, how many people smugglers have now been arrested by the new methods we are meant to be using with our ships as part of the EU force? Have any of any importance been arrested or are we actually encouraging more people to try to take that route and, as the weather gets worse and worse, which it is day by day, thereby effectively condemning more and more people to death?

Baroness Anelay of St Johns: My Lords, progress has been made as a result of a United Nations security resolution that has enabled us to move from stage 1 to stage 2 and seize those at sea who are peddling this appalling trade and making billions out of victims of smuggling and trafficking. Those are operational matters. Now, we wait to see what the results of that are. However, the National Crime Agency is in the forefront in Europe in tackling organised immigration crime. This is an issue not only across the Mediterranean but across the whole of the Balkan area.

Lord Scriven (LD): My Lords, if the meeting in Valletta is between the European Union and African countries, will the Minister raise the issue of LGBT individuals who are fleeing those countries in Africa because of state persecution based on their sexuality?

Baroness Anelay of St Johns: My Lords, I had the honour this morning to have a discussion with a journalist from *PinkNews*. I made it clear that I believe it is for Ministers always to raise issues of discrimination against LGBT people when they are under threat and

therefore seeking asylum. The Home Office is very clear on the rules it applies to asylum. Being able to show that there is a reasonable threat that one is going to face persecution in the host country is one of the first stages in being able to claim asylum.

Lord Anderson of Swansea (Lab): My Lords, the presumption must surely be in favour of affording protection to those fleeing war zones such as Syria, but the case is far less strong in respect of countries in west Africa. Will the Minister look at the position adopted by Spain in respect of the Canary Islands and see to what extent that might be relevant to the position of the European Union—the north of the Mediterranean looking at the south?

Baroness Anelay of St Johns: My Lords, all 28 members of the European Union have different economic drivers and different approaches to economic migration and asylum policy. We always look with interest at how other countries manage to welcome those in need, and I am sure we will continue to do so. We have a rigorous system to ensure that there can be legal migration and that those in need of protection receive it.

Ministerial Code Question

3.11 pm

Asked by **Lord Dubs**

To ask Her Majesty's Government why they have changed the *Ministerial Code*.

The Minister of State, Ministry of Justice (Lord Faulks) (Con): My Lords, the *Ministerial Code* is normally updated and reissued after a general election. The updated code makes it clear that Ministers must abide by the law. The obligations on Ministers under the law, including international law, remain unchanged.

Lord Dubs (Lab): My Lords, it is somewhat puzzling for the Government to make quite a significant change in the code and for the Minister to say that it makes no difference. Some of us wonder why the change has been made at all—if it had not, the Minister would not have had to answer this Question and others on this. As an annexe to the *Ministerial Code*, there are seven principles of public life, one of which is openness. If Ministers have to show openness, why can the Government not show openness on this?

Lord Faulks: The Government are showing openness. The *Ministerial Code* is available for all to see. It is normal for there to be a variation of the *Ministerial Code*, just as there is with the Civil Service Code from time to time. For example, the noble Lord may be aware that the Civil Service Code changed from 1999 to 2006. In 1999 it included,

“the duty to comply with the law, including international law and treaty obligations, and to uphold the administration of justice ... together with the duty to familiarise themselves with the contents of this Code”.

That became much shorter in 2009. The updated code says:

“You must ... comply with the law and uphold the administration of justice”.

Lord Wallace of Saltaire (LD): My Lords, the Minister may recall that Justice Scalia of the US Supreme Court has argued on a number of occasions that the United States should not pay attention to the conventions and constraints of international law because of the exceptional perfection of the US constitution. Is there a similar degree of exceptionalism in the British Government's approach to international law, or do we expect others to pay perhaps a little less attention to the constraints of international law than previously?

Lord Faulks: Justice Scalia is an originalist on the American Supreme Court and has a particular view of America's position. Our position is that all Ministers are obliged to abide by the law, including, in so far as it is ascertainable, international law in this country.

Lord Campbell-Savours (Lab): Why can the Government not transfer responsibility for carrying out investigations into the conduct of Ministers to the Parliamentary Commissioner for Standards in the House of Commons and the House of Lords Commissioner for Standards in the case of Lords Ministers? Surely that would restore some confidence in the system, which has been discredited by recent cases.

Lord Faulks: The *Ministerial Code* sets out clearly what the Prime Minister expects of his Ministers. If they depart from that code, it is evident that they have departed from it and there are modes of dealing with that. I take the noble Lord's suggestion, but at the moment the situation seems to be satisfactorily dealt with.

Lord Brown of Eaton-under-Heywood (CB): Am I right in supposing that this amendment is really a prelude to the introduction of a British Bill of Rights in place of the existing Human Rights Act, and is intended principally to clarify the fact that our own domestic primary legislation trumps unincorporated treaty law?

Lord Faulks: The noble and learned Lord is quite right. He points to the difference between the dualist system, which we have, and the monist system whereby unless law is incorporated in an Act of Parliament, it does not become automatically a part of the law. The question of the amendments to the Bill of Rights, when or if it comes before Parliament, is somewhat separate but he accurately states the necessary constitutional principles.

Baroness Hayter of Kentish Town (Lab): My Lords, if the former AG, journalists, campaigners, senior lawyers, ex-Ministers, ex-civil servants and academics think this change is wrong, is it possible that they are right and that the Government are not? Can the Government explain why they sneaked this change through, along with a change to the code for special advisers, rather than make a proper Statement in the House?

Lord Faulks: There is no question of sneaking it through. It has been available since 15 October 2015 and this is the second time in a week that I have answered questions at the Dispatch Box on the *Ministerial*

Code. It has also been the subject of much debate, as the noble Baroness points out, in the newspapers and elsewhere. Those authors she cites are entitled to their view, but it is not a view that I agree with.

Lord Beecham (Lab): My Lords, if the change makes no difference why make the change?

Lord Faulks: I indicated that from time to time the Prime Minister may clarify duties, just as the Civil Service Code does. That is his prerogative. The duty on the part of Ministers is to obey the law.

Baroness Whitaker (Lab): My Lords, I am not clear whether I heard an answer to either my noble friend Lord Dubs's Question or the question from our Front Bench. Why exactly did the Government change the wording?

Lord Faulks: I fear that I will be repeating myself but they have changed the wording because it is a simple summary of what is plainly the position, which is that Ministers have an obligation to obey the law. The code does not change the obligation that comes from the law; it is simply a summary for Ministers.

Baroness Farrington of Ribbleton (Lab): My Lords, the Minister, who I listened to with care, referred to clarification. Clarification often implies that something was missing before that was not clear. What exactly is this change of wording for?

Lord Faulks: Clarification is very much in the eye of the beholder. A Minister reading the *Ministerial Code* might feel better or less well informed by the subsequent iteration of this code but, as I said in relation to the Civil Service Code, from time to time Prime Ministers feel that the matter might be expressed in one way rather than another. What it does not do is alter the nature of the obligation.

Lord Pannick (CB): Can the Minister assure the House that the change has absolutely nothing to do with government concern about judgments of the European Court of Human Rights with which they do not agree?

Lord Faulks: The noble Lord knows only too well the Government's obligation in relation to judgments of the European Court of Human Rights. There is an obligation under Article 46 of the European convention, whereby parties to a judgment undertake to abide by the final judgment of that court, but those judgments are declaratory. We and previous Governments have been in regular communication with the Committee of Ministers over how best to reflect those judgments in our own law. That is an iterative process, which involves Ministers going from time to time to Strasbourg. At the moment, Parliament has given no indication—I suspect that this is what lies behind the question—that it wants to give prisoners the vote.

Administration and Works Committee
Membership Motion

3.18 pm

Moved by The Chairman of Committees

That Lord Kerslake be appointed a member of the Select Committee in place of Lord Moser, deceased.

Motion agreed.

Privileges and Conduct Committee
Membership Motion

3.19 pm

Moved by The Chairman of Committees

That Lord Young of Cookham and Lord Dear be appointed members of the Select Committee.

Motion agreed.

Selection Committee
Membership Motion

3.19 pm

Moved by The Chairman of Committees

That Lord Phillips of Worth Matravers be appointed a member of the Select Committee in place of Lord Moser, deceased.

Motion agreed.

**Financial Services and Markets Act 2000
(Relevant Authorised Persons) Order 2015**

**Financial Services and Markets Act 2000
(Regulated Activities) (Amendment)
(No. 3) Order 2015**

**Financial Services and Markets Act 2000
(Misconduct and Appropriate Regulator)
Order 2015**

Motions to Approve

3.19 pm

Moved by Lord Ashton of Hyde

That the draft orders laid before the House on 20 and 21 July and 13 October be approved.

Relevant documents: 3rd and 6th Reports from the Joint Committee on Statutory Instruments, considered in Grand Committee on 27 October

Motions agreed.

Arctic Committee Report
Motion to Take Note

3.20 pm

Moved by Lord Teverson

That this House takes note of the Report of the Arctic Committee.

Lord Teverson (LD): My Lords, we are the Arctic's nearest state, other than the eight members of the Arctic Council—I will talk about that organisation later. In fact, Out Stack in Shetland is only 320 miles from the Arctic Circle. The committee sees this report as a wake-up call not just for Parliament but, in particular, for the Government about the United Kingdom's role in the Arctic and our policies towards it.

I assure noble Lords that your colleagues spent some time up in the Arctic Circle. We were very pleased to visit Svalbard, which is only 800 miles from the North Pole. Your Lordships will be pleased to know that it was in September and it was not too cold at the time. We managed to avoid the attentions of the wildlife in Spitsbergen, I am particularly delighted to say. It was insisted on that we were accompanied by armed guards while we were out on field studies there. In fact, the university there offered what were known as welfare rifles, in case we should come across some of the native fauna. Perhaps that is a phrase that the rifle association in America could use.

I was also very privileged to join a parliamentary delegation of the Arctic Council in the Yukon, on behalf of the Lord Speaker. That was a lesson to us about the Arctic as a whole. Its size is immense: Arctic Russia is the largest area belonging to a nation state in the Arctic, but the Yukon is only one—in fact, it is the smallest—of three Canadian provinces in the far north. Its size is twice that of the United Kingdom, but its population is pretty well the same as that of my nearest town, St Austell in Cornwall: 37,000 people, of whom 28,000 live in the one city of Whitehorse, where the conference was held. It is an immense place and one that is very empty. Altogether in the Arctic there are about 4 million inhabitants, most of them in the Russian Federation, and half a million of them are indigenous tribes and populations—First Nation Indian, including all the different ethnic groups that there are around the Arctic.

The big issue in the Arctic and why that wake-up call is important is of course that of a changing climate. The committee did not get into why the climate is changing—we did not see that as part of our remit; it was perhaps rather too contentious a subject—but what is true is that the climate is changing. The average temperature has increased by 1.5 degrees centigrade since the period 1961 to 1990, and the climate is warming at something like double the rate of temperate areas such as ours. Sea ice has halved over the past two decades in terms of area, but in terms of volume it has decreased by 75%. That difference is because, when the sea ice re-forms and is just one-year sea ice, it is much thinner, so that whole area is changing. Noble Lords will understand that melting water from the ice cap itself does not affect ocean volumes or depths, or rising sea levels; they cancel each other out. But should the Greenland ice shelf melt, we will have a sea rise of

some 7 metres, or 23 feet. So again this is an important area for the United Kingdom; whatever happens in the Arctic affects the United Kingdom directly.

The governance of the Arctic is in many ways in some of the safest hands there are globally. The Arctic Council is made up of eight member states, three of them not with boundaries on the Arctic Sea and five with boundaries. The council was formed in 1996 and has grown in that time in authority and organisation, getting a secretariat that works between meetings. While we were undertaking our study, the Canadians held the chairmanship of the Arctic Council and that is now the role of the United States. We welcome very much the fact that in the Arctic region there is the rule of law, not just through the Arctic Council but through other conventions—particularly the United Nations Convention on the Law of the Sea—and those are areas of law by which all those nations around it abide. All the very high-profile claims on land and sea in the Arctic are based on the international convention. We welcome that very much.

The Arctic Council itself, of which the United Kingdom is one of the original observer states, is changing. We welcome one of the changes, in that it is starting to have enforceable conventions itself—one on oil spills, and another on search and rescue—showing strength of agreement and working between nations. But the other area of change is that the number of observer states is increasing greatly, so the United Kingdom is a smaller part of the whole. What is particularly interesting is who the new observer states are; they are India, China, Japan, South Korea, Singapore and Italy. The point is that the Asian states, the big growth states of the world, are taking an increasingly important interest and involvement in the Arctic, and we should make sure that we are not marginalised.

The committee believes that we also have an important role as a country in terms of the indigenous people, in that perhaps a by-product of the increase in observer states is the fact that the permanent representatives to the Arctic Council from each of the indigenous peoples have been marginalised in their influence. Can the UK take a role in making sure that indigenous peoples and their permanent representatives on the Arctic Council continue and increase their role in decision-making? We were particularly concerned that certain groups, primarily those from the Russian Federation, often found it very difficult to get to Arctic Council meetings, partly because of distance and communications but also because of a lack of finance. We would like to think that the UK could help in that area as well.

On the subject of Russia, two major things happened while our Select Committee was taking evidence. One of those was the Russian occupation and annexation of Crimea, and the other was the big fall in oil prices. The Crimea situation clearly changed many of the relationships among the nations of the Arctic Council. Canada took quite an aggressive stance on that move—rightly, to my mind—but it meant that some aspects of Arctic Council business became a little more difficult. However, one key thing that we say in the report is that, despite the issues around the international legality of certain actions of the Russian Federation, we must make sure as an international community that we can

isolate to some degree the co-operation on science and search and rescue, as well as other areas, that take place in the Arctic area.

Our knowledge of the Arctic is severely wanting. We did not manage to get to the research station in Spitsbergen because the weather was inclement, but we had a videoconference. A large amount of research, which is reasonably co-ordinated, is taking place there, but that does not mean that we fully understand the Arctic, its ecosystems, its environment and its future. In fact, there are huge gaps in our knowledge. Therefore, one of the main areas we concentrated our report on was increased scientific research. I very much welcome the Government's response in terms of scientific programmes to ensure that we play a bigger role in that area. We do not understand the ecology of the sea there, we do not understand the effects of permafrost, in particular, and we do not understand the risks of fisheries as the Arctic becomes more commercially exploitable. That is why we suggest very strongly that there should be a moratorium on fisheries until we understand that area of the ecosystem far better.

In terms of the environment and commercial exploitation, there is not going to be a scramble for the Arctic immediately. The costs, the distances, the remoteness and the ice still mean that commercial exploitation and use of the region is a little way off, but it is starting. This gives us an opportunity to manage that exploitation and to get the conventions into place now. That is the priority, and it is one on which the United Kingdom can help. For shipping, the north-west passage will not be the motorway of the north for many years. However, the lack of hydrographic mapping of all those areas means the risks of oil spills and search and rescue needs are high. Shell has this year withdrawn from exploring in Arctic waters, which gives us a gap and gives the international community an opportunity to lay down strong rules around oil exploration, particularly that there should be no exploration where there is sea ice. We believe that a moratorium on fisheries is important.

What about the UK's role? We believe very strongly that the UK should keep the leading role it has had historically, but it will be displaced by other parts of the world, particularly Asian nations and the Arctic states, if we do not ensure that we are a major player within the Arctic Council. I am pleased that the Government have said that they will make sure they always have representation at political meetings of the Arctic Council. Will the Minister say at what level that representation will be?

We feel most of all that, like France, Poland, Singapore and many other countries, the UK should have an ambassador for the Arctic—not someone with a desk and a satellite phone at the North Pole, but someone with a scientific and diplomatic background who can co-ordinate the various areas in which Britain should be involved and in which it should be seen as a major player. The Government's response said that they believe the UK's Arctic policy is right and that it is,

“based on respect; cooperation; and leadership”.

I completely agree with those three words, but I would like them to become “leadership, respect and co-operation”. I beg to move.

3.33 pm

Baroness Neville-Jones (Con): My Lords, I came to the committee's work part way through when I replaced a member of the committee. Despite the fact that I was there for only part of the time, I learned a great deal. It was one of the most informative committees I have had the good fortune to be on.

The chairman has set out extremely well the grounds that the report covers. It illuminates the state of affairs and the policies that are being pursued in a part of the globe that, frankly, does not get a great deal of attention in its own right. I thank the committee staff and the clerks for the way in which they helped us in our deliberations and calls for evidence, and I thank the chairman for the way in which he led our deliberations.

Testimony to the quality of the report came from a surprising source—well, perhaps not surprising but certainly unexpected. I was asked not long ago to speak at a meeting in Helsinki about the Arctic. I was the only non-Arctic state speaker. It was quite obvious that I was there because of the committee's report, which it was clear the participants had read and considered to be a well-balanced, positive and helpful contribution. They very much welcomed the fact that attention had been paid to the issues that concerned them. If I detected anything that was less than totally positive, it was that they wished not that the quality or direction of the UK's policy would change but that it would do more. We are viewed as one of the most positive and active of the non-Arctic state contributors. Nevertheless, the fact that we are regarded so well means that people would certainly like to see more from us.

Our chairman has given the House a good conspectus of the ground that we covered, which was quite extensive. It included economic development, fishing, hydrocarbon exploration, indigenous peoples and so on, and I am sure that other members of the committee will speak on those aspects with rather greater authority than me. I just want to make a couple of observations about the committee's work before I say something about science, about which I very much agree with what the chairman has just said.

One of the things I would say about the Arctic is that the way it has developed up to now has often been the outcome of policies that have been pursued without necessarily any regard to their effects on the Arctic region, or alternatively have been pursued for their own ends with sometimes unwanted effects on the Arctic. It is quite obvious that climate change falls into that category. People did not really talk about climate change because of its effects in the Arctic; the Arctic, on the other hand, has been the taker of quite a lot of those effects, and we need to be careful that we do not allow that situation, with changing water and so on, to have damaging effects that go wider than the Arctic itself, quite apart from what is happening there.

There is also the fact that policies pursued for other reasons produce cross-currents and tensions in the Arctic itself. Take some of the aspects of economic development done without necessarily reflecting on the effects on the ecosystems and the ecology of the area. Similarly, one could point to things such as the ban on seal culling. No doubt that was done for good reasons and with laudable values but it has an effect

on the indigenous inhabitants and their culture, and indeed on their way of life and prosperity, since seals are something that they used to sell. We need to think rather more widely about whether it is right to deprive people of traditional ways of life, and indeed we need to offer them a say in such decisions, which certainly they did not have in this case.

Obviously the Arctic is not going to stand still. I am not suggesting at all that it should not have further economic development, and it will certainly be greatly changed if and when the two sea passages—the north-east passage and the north-west passage—ever become high roads for international shipping. We took a great deal of evidence showing that that is not an immediate prospect for all sorts of reasons, including the difficulty of ensuring safety. There is only a small number of ships in the world that are equipped to sail into such waters. Nevertheless, there will be further development.

The implication that follows from what I have just said is that it is very important in future to consider the Arctic in its own right. It ought to be the case that when one talks about a policy, the effects in the Arctic should feature. I therefore welcome, as the chairman did, the Government's commitment to attend future meetings of the Arctic Council at political level. I am as curious as he is to know precisely what that means—what level of person one can expect to attend. Does it mean that we will get occasional Ministers? I would also like to ask for reassurance from the Government that in future, when thinking about, say, shipping policy or climate change, the effects on the Arctic are embedded in the policy-making process and are not something that come as an afterthought or a side-consideration, possibly when something unwanted and undesirable has happened. So let us try, if we can, to get the Arctic further into the centre of policy-making.

My second brief comment is on Russia. Our chairman has mentioned some of the issues that we dealt with, and the Russian ambassador has written to him about the report in a letter which I must say I regard as largely positive. There is more than a hint in the letter that the committee failed to take into account Russia's extensive interests and the contribution that she makes to Arctic issues. I say to the Russian ambassador that it is a pity that he did not take up the offer of giving evidence; the report is poorer for not having a Russian input. We need to be careful, as some commentators—not the committee—have suggested that Russia is introducing a great deal of militarisation into the Arctic area. There has certainly been military activity, but one has to realise that the Russians are the largest Arctic power, as the chairman said, and have extensive interests there. There has been a certain securitisation of their interests there, but I would not want to accuse them of militarisation.

Lord West of Spithead (Lab): Can the noble Baroness say whether there is any mention of the programme to dismantle ex-Soviet submarines and their ice-breakers, and the impact of that? I have not read the full report as yet.

Baroness Neville-Jones: No, we do not deal with that aspect at all—we do not cover a great deal of the military activity. I am talking about issues that we know are taking place, but they are not covered in the report.

Lord West of Spithead: I was thinking in terms of the pollution of that area, which was the reason we funded a programme with the USA and Norway, and I wondered if that was covered at all.

Baroness Neville-Jones: I do not think, subject to correction from our chairman, that it is covered. However, one of the things that the report does is open up a number of areas that we could fruitfully discuss with the Russians. A great deal of additional co-operation could take place not only between Russia and the Arctic Council but between Russia and other countries that are interested in the Arctic and have knowledge of it. We could develop co-operation with the Russians in this area, and I think there is a future for such co-operation. It is a hopeful and positive sign that the Arctic Coast Guard Forum has now come into being and the Russians are included. I hope they will be very active and pursue a policy—which, certainly on the western side, we would like to see—of trying to insulate the Arctic from wider disagreements.

I am running out of time, but I want to say just one thing about our scientific effort. What really distinguishes the UK contribution, and which is distinctive in its own right, is our scientific contribution to the understanding of the Arctic. I hope very much that we can major on that area. I accept that resources are limited, and I do not expect the Government to pour a great deal more into it, but I suggest that we could make more of what we do. Majoring on an area of strength, where small increments give considerable added value, is the way to proceed. The Government made a number of suggestions, particularly regarding one of the research councils which is thinking of doing a piece on the changing Arctic Ocean. I hope very much that the Government will encourage it to do so and that some of the “options” that it lists as things that they might consider will turn into policy intentions and goals.

I agree with the chairman that the Government are missing a trick in not accepting the committee’s recommendation to have a UK ambassador for the Arctic—I do not mean someone sitting at a desk. It would help bring together the strands of what are necessarily rather disparate areas of policy; it would give focus and would give other nations a door to knock on and a telephone to call. It would help to raise our profile—we do not get as much credit for what we contribute as we could. We could blow our trumpet a little more with the help of an individual nominated to do that.

3.46 pm

Lord Hunt of Chesterton (Lab): My Lords, I should like to compliment the noble Lord, Lord Teverson, on his diplomatic chairing of the committee and his energy, as well as the excellent work of the staff. One of the staff members—the clerk—took the nice photograph on the front. We had a bit of a discussion about what should be on it—some people thought there should be beautiful mountains and clouds, and I said we had to have people as well.

The Select Committee report is based on much excellent expert evidence from the UK and internationally. The theme of the report is the extraordinary importance of the large changes of the Arctic environment and their impact on the globe. I am afraid that after my

years of experience of these reports, I was expecting the usual “steady as you go, there’s no more money” response from the Government, so this response has been quite positive. I would give it a good alpha/beta. Departments have clearly worked together and seen the need for new approaches, even though not much extra money will be available.

The report emphasises the maximum warming of the atmosphere that occurs over the Arctic and, in one or two special areas, the Antarctic. But neither the report nor the government response pointed out the relatively recent scientific discovery as to why these temperature patterns affect the global weather patterns. Neither did they mention the conclusion of the Royal Society polar conference last year that only by a massive reduction of global emissions will the Arctic possibly be restored. Paragraph 7 of the Government’s response is certainly emphatic. A key objective is national and international polar research, which should include the excellent work done in Russia. Anyone who has visited Russian institutions knows the rigour of their science and the ferocity of their questioning. UK scientists have been visiting Russia, as has the Royal Society. The important point about this research, as explained in the Government’s response, is to measure and predict the melting of the permafrost on the polar lands of Russia, Canada and Alaska. The reason it is so serious is that as it melts, it leads to a huge release of methane. There is no precise estimate of the effect of this release on global temperature, but various approximate calculations indicate that it should be at least another degree or more.

I hope that the Minister will make it clear that the Met Office Hadley Centre, along with NERC, is collaborating with other major research centres to develop global climate models so that by the time of the next International Panel on Climate Change model in a few years’ time, there will be definite intercomparisons between the models of the global effects of the melting of the permafrost and release of the methane. You might ask: why has this not been done already? The answer is that the United States chairman of the Arctic climate impact assessment programme in 2003 stopped it being done. There was a very distinguished American scientist who said, “You shouldn’t be doing this because we don’t know enough about it”. However, the fact is that scientists have to do calculations and studies and make predictions even when things are not certain.

I was in Norway last week helping with the review of the Arctic environment research in that country, much of which, I am glad to say, was being conducted with UK institutions—a point made in the report. It was very surprising to me that there was not a strong commitment in the programme to model the melting of the permafrost. Indeed, when the media reported on our Select Committee report, they did not pick up on this either, so I am afraid that we have to be a bit boring and keep going on about it.

However, it was very gratifying to see our Norwegian colleagues planning to join the German-Russian collaboration in Arctic research. It is vital that the Government fund this urgent research programme and, as I said, there are indications in their response that they are doing so. Perhaps they will also consider practical solutions, which are not mentioned.

[LORD HUNT OF CHESTERTON]

The Government, in paragraphs 13 to 16, respond to the Select Committee's concern that the UK has not been as active and influential in the deliberations of the Arctic Council and its committees as other countries with observer status, such as Singapore. In fact, non-governmental organisations that have observer status, such as the UK-based ACOPS—the Advisory Committee on Protection of the Sea, which was originally set up by Lord Callaghan and of which I am president—are also active in linking UK activities with those of other countries on the Arctic Council. I believe that if we do not have an ambassador or an ambassador's office, there should at least be a rather more positive mechanism for exchanging the activities of the various groups in the UK which participate in Arctic Council activities. At the moment there is no such organisation but I believe that it would be quite straightforward to organise.

There is also an important case for a more active role for UK diplomacy in the Arctic, and I am sure that the noble Lord, Lord Hannay, will talk about this. However, there is a scientific aspect that I should like to mention. The UK should work with other countries in the Arctic Council and in the EU towards the EU joining the Arctic Council, even as an observer. One might ask why the EU is not an observer. This will happen only if the EU stops trying to tell the Arctic people about their traditional customs, including the hunting of seals. In very powerful video conference evidence, the committee heard from a political representative of the Canadian Inuits. So my question to the Government is: what is the UK doing to open up this issue and to understand the complex nature of traditional activities and natural life in the Arctic?

A more immediate diplomatic issue is the future of fisheries in the Arctic, which has also been mentioned. Rightly, this concerns the UK fishing industry because of the northward movement of the fishing grounds as the sea ice melts in the summer periods. The UK is a member of international bodies such as OSPAR, which is based in London. I should like to know from the Minister what proactive ideas the Government have. The government response in paragraph 87 about the defence and marine security and associated capabilities of the UK and the Arctic is very weak, given the strong criticism that the committee heard of cutting the aircraft survey of the northern waters—a criticism made by a junior Minister, Mr Brazier. It was also made by a representative of the Maritime and Coastguard Agency, who talked about the now weak air-sea research capability. Last November, the *Sunday Times* reported on current arguments in the MoD about buying or not buying a US aircraft system. This is a critical issue and I think that the Government need to be much stronger in this area. Much closer collaboration with other countries is needed as part of the multibillion-pound expenditure in naval ships above and below the water—to be diplomatic—that the UK is involved with.

The final paragraph of the report, paragraph 90, refers to the important role of the Hydrographic Office. That will be particularly essential in mapping the Arctic Ocean, which is rather a shallow sea often only 10 metres deep. Such mapping will be vital for the Arctic shipping route. The United Kingdom Hydrographic Office has a unique global role.

The noble Lord, Lord West, who was here earlier, commented on the nuclear environment, especially nuclear pollution. This was discussed by the committee. The UK was involved, along with NGOs such as ACOPS, but this is still a dangerous area.

3.55 pm

Lord Oxburgh (CB): My Lords, I, too, want to begin by recognising the contribution of our chairman, the noble Lord, Lord Teverson, who did a great job, and that of our clerk, Susannah Street, who kept us on the straight and narrow even in some rather curious and perilous places.

I will talk largely about science, but various aspects of this have been talked about already and I shall try to avoid repetition. It is important to remind colleagues that the Arctic and Antarctic are almost exact antitheses, in so far as the Antarctic is a large continental mass surrounded by ocean, and the Arctic Ocean is almost landlocked because it is surrounded by sovereign states, many of which are to a large extent covered by permanent ice and snow. As your Lordships have heard, this region is warming up and the area covered by sea ice is becoming less. It is not less every year; what one sees is a sawtooth up and down, with some years an increase and some years a decrease, but there is no doubt that the blade of the sawtooth is tilted downwards and that, on average, the sea ice is becoming less both in volume and in area. The August sea temperature in the Arctic Ocean is now about three degrees higher than it was towards the end of the last century. Basically, this reflects global climate change, with local amplifications which are not really understood—that does not mean there are not explanations, but as yet there is no full or generally accepted explanation. These changes have a series of direct consequences, both for the littoral communities and for the biota.

I suppose that a question could reasonably be asked: why should the UK be involved in Arctic science? It is not sufficient justification, although it would be a true statement, that we have a long and proud tradition of Arctic research: a combination of exploration and science work. The Arctic area is of particular interest for the reasons already touched on by several noble Lords: that it is warming several times faster than other parts of the globe and plays a key role in both ocean circulation systems and atmospheric circulation.

New science, new studies, have become feasible for the first time because of the reduction in ice area. Places can now be reached and studies carried out for longer than was previously possible. This work has the virtue of both being worthwhile science in its own right and having a great many practical applications. The warming and reduction in ice affect the flora and fauna and marine life, but, of course, open up the Arctic to much more human activity as well. Human activity in the Arctic can have implications and consequences far outside the Arctic, so it is of significance to us as well.

We all know that humans pollute. They traffic across the Arctic and they throw away waste on a large scale, be it the abandonment of old nuclear submarines or icebreakers, the domestic waste associated with onshore activity, and broad commercial activity such

as drilling for oil, mining and so on. In other words, humans introduce a significant and previously unexperienced perturbation to Arctic life. If we are to study this, what we must have is some kind of baseline so we can recognise changes, and those baseline studies for the Arctic are not really there yet. That has to be one of our highest priorities because without a baseline, you do not know what is happening. If we then look at the activities being carried on by humans, we may well find that those we expected to have an effect the biota in fact have very little, whereas others produce much greater consequences than we expected.

The other general reason for the need to maintain our scientific activity has been touched on by several speakers already. We have observer status on the Arctic Council, but we can no longer take that for granted. Observer status has to be renewed periodically, but there are now many more competitors for it. Before long, the Arctic Council is going to have to wonder how many observers it can actually have.

Let us turn to what the UK has done and is still doing. I commented earlier on the UK tradition of research in the Arctic, which has been largely academic. In general in the UK, academic research is reflected in a series of individual scientific workers or groups pursuing their own chosen problems, in many cases with little coherence between different projects and very little external visibility. In the changing scenario which has already been described, that is probably not good enough, but I am glad to say that as far as the UK is concerned, things are changing. There has been a big expansion of the available informal collaborative fora, an extension of the remit of the British Antarctic Survey a few years back to include the Arctic, and the establishment by the Natural Environment Research Council of an Arctic office which happens to be located in the British Antarctic Survey, with the role of co-ordinating UK work. All this is welcome. Moreover, I understand that efforts are being made to recruit the first purpose-appointed director for the office, which is also a welcome step forward. But as has been pointed out, the Arctic is vast and there is a lot to do, so collaboration is essential. The appearance in the past couple of years of the European Union in the form of the EU-PolarNet consortium—another network that promotes and supports collaboration—is welcome.

Finally, let me turn to a point made by the noble Lord, Lord Hunt. The Arctic Council has a significant interest in scientific research and related topics. Most of the practical work is done by working groups, task forces and expert groups. There are working groups on Arctic contaminants, the protection of the marine environment, and emergency prevention and response. There is a task force on scientific co-operation and expert groups on black carbon and methane. But the trouble is that UK representation on these groups has been patchy and unco-ordinated, and it is not too much of an exaggeration to say that before a meeting of one of these groups is held, a sort of round robin is sent out to parties that might be interested, asking who would like to go—“If you are not too busy; and by the way, you are going to pay your own expenses”. This is no way, frankly, to prosecute a UK Arctic research policy. We have to have a clear policy, which probably has to be developed between the Arctic

office of NERC and the FCO. It has to be clear which of these fora we are going to have a regular presence in and the reason for doing so. This will help us to understand climate change. We need to understand the human impact and it is important to establish the baselines for change.

The prospects are good for higher profile, more co-ordinated UK Arctic science. As noble Lords have pointed out, there is now a forward looking NERC programme, which should help. To what extent does the Minister feel we will now be able to regularise and achieve appropriate representation on the Arctic Council's sub-bodies?

4.06 pm

Lord Moynihan (Con): My Lords, I begin by thanking four individuals, without whose contributions we could not have produced the report we are debating today: the noble Lord, Lord Teverson, who was an outstanding chair; Susannah Street, senior clerk to the committee; Matthew Smith, who ably assisted her; and Professor Klaus Dodds, who defied many a Select Committee precedent by proving the committee right in appointing him from a strong list of original candidates. The work undertaken by this quartet was exceptional.

For the committee's formal work, I supplemented my interests by travelling, in a personal capacity, to meet a wide range of experts in Oslo and St Petersburg on a number of occasions. My interest lay in the way in which Norway manages its relationship with Russia, what we could learn from that and, particularly, how both countries approach the development of their substantial oil and gas reserves in the Arctic. No consideration of the importance of the Arctic, seen through the prism of environmental change, global warming, scientific, political, strategic or defence policies, can be complete without a full appreciation of Russia and its objectives for the region. The current permanent secretary of the oil and gas ministry in Oslo, Elisabeth Berge, highlighted the truism that you can never sweepingly describe the Arctic in general terms—the noble Lord, Lord Oxburgh, has just made the same point. The Arctic is exceptionally diverse: although parts are covered by ice, other Arctic oil and gas developments, such as the huge 193 billion cubic metre Snøvit field in the Barents Sea, where the Gulf Stream keeps the hostile conditions free of ice all year round, pose very different challenges. These challenges are similar to the hostile water conditions which impact our own oil and gas activities in the northern North Sea.

In St Petersburg, I was indebted to Artur Chilingarov, the doyen of the Russian Arctic community, whose planting of a titanium flag in 2007, from one of the two Mir submersibles on the seabed 13,980 feet below the North Pole, gained widespread international coverage, not least in strengthening Russian territorial claims—as the Russian Government saw it—and reinforcing the importance of the Arctic in the consciousness of the Russian people. I would also like to place on record my thanks to Professor Litvinenko, rector of the university of mines in St Petersburg, and to rector and academician Alexander Zapesotsky from the St Petersburg University of the Humanities and Social Sciences, for the access to experts which they facilitated; and to Victor Boyarsky,

[LORD MOYNIHAN]

director of the museum of the Arctic and Antarctic, with whom I had lengthy discussions.

I will come back to some reflections on Russia. During my work on the Select Committee, I declared my interest as a director of Rowan Companies, a major international offshore drilling company, which has gained an enviable reputation for technical excellence and the strongest emphasis on safety. After 19 years, I have now retired. Today, Rowan's CEO, Dr Thomas Burke, has few equals in the sector. He is vice-chair of a very important body in the context of the Arctic: the International Association of Drilling Contractors. The IADC is on record as having a task force responsible for delivering a safe working environment in the Arctic. Its work supplements the work on oil spill response in the Arctic undertaken by the International Petroleum Industry Environmental Conservation Association, which is working on the critical area of spill response in the Arctic offshore.

IPIECA has highlighted considerations to ensure responsible future drilling operations in the Arctic. In 2014, the Arctic Council's task force on oil pollution prevention announced its HSE case guidelines and activities related to well control and training. Day by day, I believe, this work makes the Arctic an increasingly safe environment for oil and gas activity. Why? It is because the key to future safe operations in the Arctic lies in the ability to evaluate and to seek continuously to improve spill prevention technology, well control, containment and response infrastructure specific to drilling in the Arctic environment. Hardly any of this work needs to be proprietary. We should continue to share oil spill prevention commitment and response technology advances on a global and international basis.

As the noble Lord, Lord Teverson, was right in stating, our report focused on the fact that the current downturn in world oil prices provided an opportunity for allowing operators and supply and service companies to focus yet further on the key areas of safety, environmental protection, regulation, oil spill prevention and response preparedness. In doing so, I believe that the committee was right to recognise the sheer scale of the Arctic in global hydrocarbon activity, where around 10% of global oil production and 25% of gas production takes place, with 97% of this oil and gas production coming from onshore fields in Russia and Alaska, the clear majority of which are in Russia. Oil prices are cyclical and will come back. When they reach the levels we witnessed in 2008, the Arctic will represent a return of frontier exploration, which is what upstream oil companies do best, but they must use this opportunity to focus on safety and the environmental challenges, which are essential if that is to be sanctioned and licensed.

In the mean time, climate change in the Arctic is predicted to have two decisive outcomes: the economic exploitation of 25% of the world's remaining natural resources; and the gradual opening up of the northern sea route, which, while far from commercial today, was still projected by some to become a global trade route, shortening sea transport times around the globe by as much as a third in some cases. In this context—I am glad that this has already been mentioned in the

debate—we should not underestimate the directional change and the high importance that China attaches to the surfacing benefits of engaging with Russia in the Arctic for shipping, energy resources and, especially, Russian gas. Withdrawal from Alaskan drilling by Shell does not strengthen the case for a moratorium in the Arctic. It simply highlights that this is a business and, at current and near-term foreseeable prices, the cost involved did not match the benefit.

I believe that the Arctic Council should be seen as centrally important and unique. It should be nurtured and strongly supported by government. We should contribute more to the core business of the council and offer our services and financial support to the many vital environmental, scientific and strategic initiatives that it undertakes. We should continue to strive to be respected supporters. We should always respect the fact that we are not an Arctic nation, but as a near neighbour we have as much at stake as we did during the Second World War, when the Arctic and specifically the Norwegian and Barents Seas became significant strategic theatres.

Having focused on hydrocarbon development and the Arctic Council, I finally turn to Russia. Regional security co-operation and the security architecture lag behind political, environmental, scientific and economic co-operation in the Arctic. Duncan Depledge from Royal Holloway, University of London, told us:

“The biggest challenge facing international governance in the region concerns how relations are managed between Russia and the other Arctic states”.

The Arctic is an intrinsic part of the Russian soul, history and identity. Any plausible policy for the Arctic should start by fully engaging with Russia in the region. This can be best achieved by our Government through a foreign policy towards Russia that is built on compartmentalisation.

Russia has the longest Arctic coastline and an extensive exclusive economic zone. It would be surprising if it did not claim a legitimate right to expand its military presence in the Arctic maritime region. I do not believe that current developments are an attempt to regain the influence that Russia once held in the Soviet era. I do not see the Russians as pushing a “sphere of influence” policy in a way that could threaten neighbouring states. Understandably, current bilateral and multilateral relations impede progress on this front and colour our thinking, yet collaboration with Russia is essential to the UK as a near neighbour state to the Arctic. Through a policy of compartmentalisation, we can collaborate with Russia if we are to see essential progress on a broader front, including in our relations with Iran, the future of Syria, the resultant refugee crisis, and the success or otherwise of ISIL in the region.

In the summer of 2012 Russia re-established a permanent military presence in the Arctic, and evidence provided to us by Dr Andrew Foxall says that it has,

“increased the Northern Fleet's forces, including commissioning a new icebreaker fleet and developing new nuclear attack submarines; modernised its forces in the three military districts that border the Arctic ... including creating new Arctic brigades; begun constructing a missile early-warning radar in the Arctic, and re-opened Soviet-era military bases in the Arctic”.

Some witnesses saw these developments as instances of military restoration rather than expansion, arguing that Russia was investing in renewing its military presence to a far lesser extent than it had done during the Cold War, at a time when countries such as Canada, Denmark and Norway have also invested in their Arctic military capabilities and upgraded command structures in recent years. I interpret the build-up as “securitisation”. Throughout the region, tasks such as aerial surveillance, anti-smuggling inspections, fisheries monitoring, patrolling, search and rescue, and assistance with oil spill response efforts, fall to the armed forces because they have a near monopoly on the training, equipment and capabilities necessary to operate in Arctic conditions. Russia aims to make the Arctic its, “foremost strategic base for natural resources”, by 2020. To do so it must invest in both economic infrastructure and the military means to police an enormous region being restored to national economic centrality.

One perverse consequence of the current round of sanctions is that, if people want the safest technology in place to protect those who work on the oil and gas rigs and the environment in which they work, the best way to achieve this objective is collaboration with the West. The oil service technology at the disposal of Houston and Aberdeen-based companies ranks among the safest in the world. It is in our mutual interest to co-operate on this front and not impose sanctions in the oil and gas sector, where they impact on increasing safe and environmentally sensitive operations. The Government’s response to our report that,

“Despite Russian actions in Crimea and eastern Ukraine, the Government remains committed to cooperating with Russia on Arctic issues”,

is therefore welcome, and I look forward to the Minister expanding on that point.

Finally, I believe that the work of the Arctic Council would be strengthened by our recommendation to appoint a British ambassador responsible for closer co-ordination and a raised profile for the area, and for the issues we have covered—possibly for both poles. That would bring more financial support and prove more effective in drawing together the myriad lines of communication—scientific, academic, trade and political—which tie us, as the Arctic’s nearest neighbour, to this important part of the world. The UK has a hub of Arctic expertise—a fact that we learnt more about every week that we met—and a focus on significant information and expertise, which should be put to good use and offered for the benefit of the Arctic Council, the relevant Governments and the indigenous people. An ambassador would mean the need for a policy, for priority, for urgency, for commitment and for adequate resources. That should be the first and most positive step forward towards closer engagement with all members of the Arctic Council and all interested parties.

4.19 pm

Lord Soley (Lab): My Lords, I second the thanks to our chairman who showed not only the usual skills of chairmanship of a Select Committee but also very great commitment to the work of the body. I also identify myself with the comments about the staff,

who were all excellent. The clerk, Susannah Street, has a second career beckoning as a photographer—although I might want to delete the photograph of me trying to stay upright on an ice sheet, dressed in full Arctic clothing. Indeed, I might pay a substantial sum to delete that.

The Arctic is changing, as has been indicated very clearly. Over the past few weeks I have talked to some oil people and the general view is that oil prices will not recover to where they were until the end of next year at least, and possibly later, and possibly will not recover to a level which makes the Arctic an attractive proposition, because the cost of drilling there will be so very much greater than in other areas. That is an important point. Having said that, we should not be blind to the enormous resources in the Arctic—everything from fish to rare earths, as several noble Lords have mentioned. China is showing great interest in rare earths and the opportunities for rare earth mining in that area are very important. The growth of interest in the Arctic, not just in shipping but in mining, fishing and tourism is very great.

On tourism, one thing that troubled us a little was that if a tourist ship got into serious trouble there, the problems associated with rescue would be very considerable. Because the area is so vast and difficult, there have been incidents, most of which have been dealt with fairly easily, but one of the things I would certainly like to see, and which I hope will be fully addressed, is the replacement of our maritime patrol aircraft, as suggested in the strategic defence review. We do not have it at the moment and we ought to have it. I know that we can rely on other NATO countries but we really need to have our own maritime patrol aircraft operating in the area. Tourism will grow and, as it grows, there needs to be emphasis on protecting the environment. Mention was made earlier of people throwing waste away or generally despoiling the area. There is also the rescue issue, to which I referred.

Governance is one of the most important aspects. We were all very impressed by the Arctic Council. It is working very well and we have a close relationship with it. However, we could build on that very considerably. Several members of our committee have great scientific knowledge. It is clear that some of the best work that Britain can do is on science. We have a great scientific reputation which is well recognised by other Arctic countries which are keen to work with us. Indeed, it is interesting that there were expressions of interest in working more closely with the United Kingdom in a number of areas. Iceland was interested in working with us on search and rescue, for example, and a number of other issues we thought were important.

We gave great thought to the question of Russia. It is a great pity that the Russian ambassador did not come and give evidence. Since then he has sent the chairman a letter, which is helpful but again it leaves you with the feeling that Russia is still holding back and is anxious about being involved. There is almost a feeling of an inferiority complex, and yet Russia controls a vast area and is doing some incredibly good science. The one thing you can say about Russia is that the quality of its science is very good and there are opportunities for us to work together.

[LORD SOLEY]

I wish to make the following point very strongly. I am absolutely clear about the need to have made the response that we did over Ukraine. However, I listened to a speech by Condoleezza Rice, the former American Secretary of State under George Bush, making the point very forcefully, with which I agree, that although that was understandable and necessary, it was vital that we continued to work closely with the Russians in other areas. Science and the Arctic is one such area and we have to separate in our minds the actions of the current Russian Government from those of the Russian people as a whole and Russian institutions, particularly scientific institutions and universities, which would like to work closer with us. It is difficult for them to do so at times, but wherever possible we ought to encourage that and develop it as much as we can. I was very pleased to read in the Government's response that they are going to organise an international conference at Wilton Park next year. That will be very important and something that we can develop and usefully build on.

I want to mention the indigenous people again. We met a number of these people. It is a question not just of protecting their rights, important though that is, but of recognising their knowledge of and skills in the area. One of the women, who was a key organiser for the group, actually herded reindeer for half the year and did her work for the indigenous people in the other half. We all felt that although it would be too intrusive for the United Kingdom to fund them directly, we could offer help in some way; for example, as the Government seem to suggest, in terms of educational opportunities at British universities, or in terms of funding particular activities for them from time to time.

It was very clear that the indigenous peoples' groups were underfunded. The Russian one was particularly underfunded; I think the Russians are still struggling with the concept of whether there can be an interest for their own indigenous people as opposed to all Russian people being the same. It is not like that and the other members of the Arctic Council, ourselves and others, all recognise that indigenous people have a particular role. Here we have another interest in common with the Russians; that is, so many British companies are involved there that we have to be aware of the rights of the indigenous people when British mining companies or others start to work in the area. It is important both for the protection of the area and the rights of those people.

The most important issue, which the noble Lord, Lord Moynihan, has just commented on—and we have all commented on—is that we recommended that there be an ambassador for the Arctic. The Government have turned their face against that. I understand that and respect their decision. But I say this to the Minister: please do not close the door on that completely. As our chairman, the noble Lord, Lord Teverson, pointed out, all these other countries—India, China, Singapore—are moving into the area and developing associations. It may be only a matter of time before they start appointing ambassadors and we might find that we are running behind if we do not do something similar. Whether that is right or wrong, I simply say to the Government: do not close the door on that opportunity just yet.

When the Government turned down the suggestion of a United Kingdom ambassador in the Arctic, they indicated that they understood the problem we were identifying—that our policy was too often reactive rather than proactive and that therefore we needed a better strategic response to it. The Government specifically mentioned that in their response. If we are not going down the road of the ambassador, that strategic response is crucial. If they do not make that come alive and be a really effective strategic response, we will fall behind again. I think we were all impressed by the lady from the Arctic department in the Foreign Office. She was very good and she was on top of her job. When we see that, we see the opportunity there for the United Kingdom to do more than we are doing. The British reputation in the Arctic, as the noble Lord, Lord Teverson, indicated, is very good, not just because of our history but because of the science that we do.

Finally, I have yet to understand how we are going to divide the polar research ship between the Arctic and the Antarctic—whether the front half goes to the Arctic and the back half goes to the Antarctic. I am not quite sure how this is going to be done. I would welcome some indication from the Government of how they plan to use it, presumably over a period of time, in both the Arctic and Antarctic. There is a very interesting question, which the committee dwelled on but we have not discussed much today, about how much we could make what we do in the Arctic and the Antarctic—with the British Antarctic survey, for example—one and the same. There are arguments around that which I do not want to get into now, even if I had the time. But this is important when we have something like the polar ship, which we must use in the best way we can because it is a very advanced ship, as I understand the proposal.

4.29 pm

Baroness Miller of Chilthorne Domer (LD): My Lords, as one of the very few speakers this afternoon not to have served on the committee, I must congratulate it and my noble friend Lord Teverson, its chairman, on producing such an interesting report. I have learnt a great deal more this afternoon by listening to contributions from members of the committee.

I want to make a short intervention on what I think my noble friend Lord Teverson referred to tangentially as an enforceable convention—it does not exist yet. My interest in this subject began when I visited Nova Scotia in 2008 and went to Thinkers' Lodge, which is run by the Canadian Pugwash Group, the Nobel laureate group that does a lot of work on peace. In 2007, it produced a very interesting report on the Arctic as a nuclear weapons-free zone. This was in response to the push from the indigenous people of the Arctic in 1977, 1983 and 1998 to have the issue considered. It is perhaps a worthy addendum to this report to mention this subject.

It was unfortunate timing that a very wide survey of Arctic Council populations was published in April 2015, by which time the committee had finished taking its evidence and the report was published, but it is worth sharing some of the conclusions from that survey. The question was whether:

“The Arctic should be a nuclear weapons free zone just like Antarctica is, and the United States and Russia should remove their nuclear weapons from the Arctic”.

To give your Lordships a flavour of the responses, in Sweden the population surveyed was 90% in favour of that proposal. In Finland and Iceland it was 88%, and so on. The percentages obviously varied in that 2015 survey but when a similar question was put into 2010, the responses were more or less between 70% and 80%, so considerable support is growing for this idea. Very surprisingly—it certainly surprised me—even in Russia, support for it was 68% and in the USA it was 67%. Since Antarctica has been a nuclear weapons-free zone since 1961, the idea certainly has a strong precedent. For the Russians, as long ago as 1958 Premier Bulganin proposed that the Arctic should be a zone free of atomic and hydrogen weapons. That idea was also explored later by President Gorbachev in 1987.

I wanted to intervene briefly to throw that issue into the mix because it really concerns the Arctic Council, which bothered to have that survey done. The results are so positive that it merits much further serious consideration. As one of the nuclear weapon states, the UK is in a position to progress these discussions as well. There were a couple of mentions of some of the threats from nuclear weapons—not only the obvious issues but that of pollution, which the noble Lord, Lord West, mentioned when he intervened. The noble Lord, Lord Moynihan, also mentioned them. This bears further discussion. I think the noble Lord, Lord Moynihan, also mentioned Wilton Park. I do not know what that discussion will produce but perhaps this idea might be taken further there.

4.34 pm

Lord Hannay of Chiswick (CB): My Lords, speaking as a member of the committee which prepared the report we are debating today, it would, I suspect, be unduly complacent of me to comment on its quality. However, I pay tribute to our chair, the noble Lord, Lord Teverson, who guided our sometimes somewhat wayward discussions with great skill and has admirably introduced the report today. I also pay tribute to our clerks and our special adviser, who supported our work so effectively.

Reporting on Britain's response to a changing Arctic was a worthwhile exercise for this House to undertake, and it was right to appoint an ad hoc committee to do it. The changes taking place in the Arctic, mainly as a result of global warming, are running ahead of us at an unprecedented rate, and Britain's policy, as the Arctic's nearest neighbour, needs to adapt too. I am not quite sure, judging by the Government's response to our requests, that they have fully grasped all the implications, or the great speed at which these changes are taking place. The evidence that we took soon brought home to us how much less straightforward handling the Arctic is than one might have supposed at the outset. For one thing, there is rather more hype about everything to do with the Arctic than is entirely justified—for example, about the speed at which new shipping routes will be established and the rapidity with which the Arctic's mineral resources can or will be developed.

There are far more differences between the Arctic and the Antarctic than there are similarities. One is an expanse of frozen sea; the other is a land-mass. Apart from scientists, Antarctica is uninhabited, whereas in

the Arctic there are 4 million or so inhabitants. The Antarctic is governed by a full international treaty regime, which is already in place; there is the possibility of such a regime in the Arctic but, partly because of the two differences I have referred to, that kind of approach, attractive though it might seem at first glance, is unlikely to be suitable.

The Government's response to our report was, in many respects, welcome and supportive of our recommendations. Particularly welcome is the clear recognition of the desirability of sustaining co-operation among the Arctic states amid the current mini-cold war over Russia's activities in Crimea and Ukraine. The global common goods of the Arctic can be satisfactorily managed only through a process of international co-operation. That needs to include the European Union as an observer, so I hope that Russia will soon overcome its hesitations in that respect, which are rather short-sighted, just as the Canadians have already done.

I will touch on three specific subjects in more detail: hydrocarbons, fisheries and the UK's role in all this. The present trend in oil prices, particularly if it is sustained, is likely to slow exploration for oil and gas and, even more so, exploitation of it. Shell's recent announcement that it is ceasing work in offshore Alaska demonstrates that very clearly. We are right to welcome that pause as a good thing, but it will be a good thing only if the companies and the regulatory authorities continue their research into handling the risks of operating in the Arctic. We were not convinced that enough had been done yet to reduce those risks and to strengthen the response capacity to any accident.

The Government's response to our recommendations on fisheries—about fishing in the area of high seas not covered by any national regime—seems to me both inadequate and, by now, completely out of date. It is inadequate because paragraph 63 suggests that the best way to deal with this is through the negotiation of a new implementing agreement under the UN Convention on the Law of the Sea, which is designed to protect marine biology in areas beyond national jurisdictions.

Judging from practical experience of negotiating about UNCLOS, that could involve a very long delay and many complexities, covering as it would many parts of the world even more sensitive than the Arctic, so that is not a good route to go down. It is completely out of date, because the five Arctic littoral states all agreed in July this year to impose a moratorium on their fishing in these waters and have invited other interested states to join discussion about a possible regulatory regime. That is surely a far better approach than the Government's preferred one, and a good deal less likely to replicate the experience elsewhere in the world, where the regulation of fisheries tends to be agreed only after extensive damage has been done to fish stocks.

I hope the Minister can respond to these questions: will the Government be responding positively to the invitation of the Arctic littoral states to join their discussion of a regulatory regime for fisheries in the Arctic high seas? Will they encourage the European

[LORD HANNAY OF CHISWICK]

Union to do so too? Meanwhile, will the Government subscribe to a moratorium until a regulatory regime is agreed?

That brings me to the whole matter of UK policy and its future role in the Arctic. I cannot resist saying that reading the Government's response to our report made me wonder whether some hitherto non-broadcast script for "Yes Minister" had been unearthed. Thus, with the right hand, in paragraph 13, the Government state that they,

"will send representation to all future political level"—

note the adjective, carefully tested in "Yes Minister" exchanges—

"meetings of the Arctic Council",

and, with the left hand, in paragraphs 25 and 63, they state that they will represent UK interests,

"at priority Arctic Council working group meetings, where resources permit".

I am afraid to say that Sir Humphrey would have been proud of that piece of tergiversation; I think the Government should be less so.

As to the Government's rejection of our proposal for the appointment of a UK ambassador as special representative to the Arctic, along with previous speakers, I am deeply disappointed. The resource issues prayed in aid of that rejection surely should not be the only consideration—although obviously they have to be given due weight. Even if they are, perhaps the Minister could kindly tell the House just what the added cost of making such an appointment would be, so that we have some idea of what it entails, and just what the supposedly inadequate added value of appointing such an ambassador would be. If we do not know what the figures are, we cannot tell whether they are right. Perhaps he could give us both those figures.

As one who filled a post of special representative for seven years, I assure the Minister that the added costs—that is, the amount I was paid—were pretty modest. In any case, as several other noble Lords have said, I hope that the Government will agree to review that regrettable decision. I do not think it measures up to the requirements of the situation.

I have two final thoughts. Is it really not worth considering some way of levying a charge on Arctic tourism so that a contribution is made to the excessive costs of providing adequate search and rescue facilities? People who go on tour to the Arctic are not normally among the lower deciles in income of our population. Although it is helpful of the Government to offer possible periodic updates to the Liaison Committee of this House, what on earth can the Liaison Committee do when it gets them? That is one small part of the case for establishing an international committee of the House, which I trust we will return to rather shortly, and on which I hope there will be a positive decision.

4.44 pm

Viscount Hanworth (Lab): My Lords, I often wonder why many people show little concern in the face of the impending catastrophe of global warming. I am reminded of a fundamental dichotomy in human perceptions to which Voltaire famously drew attention. In 1757, Voltaire published an influential work of social philosophy

and satire under the title *Candide or Optimism*. It is said to have been prompted by a disastrous earthquake in Lisbon, which is estimated to have killed 60,000 people in that city alone. It raised the question of how a belief in a benevolent deity could be maintained in the face of such natural disasters, or acts of God. There are two main protagonists in the satirical story. The first is the eponymous Candide, who roams the world with various companions and is confronted by an outrageous series of disasters. Some of the disasters are acts of God and others are attributable to human malfeasance. The second protagonist is a certain Doctor Pangloss, who is unaffected by the tragedies; he refuses to allow them to distract him from his everyday concerns and he asserts, repetitiously, that all is for the best in the best of all possible worlds.

Candide represents a category of people who could be described as catastrophists or absurdists: they see disasters everywhere that are compounded by human folly and ignorance. Doctor Pangloss, on the other hand, exemplifies a category of people whom one might describe as normalisers. We can recognise both classes of people in any assembled company. However, events that people experience at first hand may eventually cause them to move from one category to the other. Indeed, most of us embody both tendencies in varying degrees.

The absence of dramatic first-hand experiences of the effects of global warming has led many people to ignore the hazards. Their recognition of them has been much delayed. A full recognition requires a first-hand experience of such events as the flooding of the Somerset levels or of the city of New York, the inundations of Hurricane Patricia or the devastation of the island of Tacloban by Typhoon Haiyan. The difficulty is compounded by the unwillingness of scientists to attribute individual events to global warming; they prefer to consider only the average effects of those events. We have every reason to fear that, when we begin to feel the full force of the effects of global warming, it will be too late to avert a catastrophe.

The dichotomy of perceptions is clearly evident in the report of the Select Committee on the Arctic, an excellent and a well-crafted document for which the clerk of the committee, Susannah Street, and the policy analyst, Matthew Smith, must take much of the credit. On the one hand, the report conveys the evidence of an impending catastrophe; on the other, it documents the processes that are the normal social, political and economic responses to the ongoing changes in the Arctic environment. The report declares in its introduction that the committee did not seek to examine the global causes, processes or consequences of climate change. Nevertheless, its first chapter clearly displays the startling evidence of climate change that can be seen in the Arctic, and which will have inevitable global consequences.

In the period from 1900 to the present, Arctic surface temperatures over land have risen by as much as 4 degrees centigrade, if one takes the least favourable base year, and by no less than 3 degrees, if one takes the most favourable base year. The rise in temperature has been twice the rate of the global average, and can be regarded as the harbinger of a global temperature increase of the same or greater magnitude. The current

scientific consensus is that if the present trends continue, they will result in an utterly destructive increase in temperature of 5 degrees centigrade. If the commitments to limit emissions that are likely to be confirmed by the forthcoming Paris conference were realised, the rise in temperature might be limited to 2.7 degrees by 2100. This figure must be set beside that of a rise of 2 degrees, which we have been told repeatedly is the maximum we can allow if we are not to experience severe disruptions to our way of life.

One very visible effect of the warming of the Arctic is the reduction in the ice cover. The report contains a compelling diagram, which is a product of satellite monitoring. Since 1980, the extent of the ice cover in the North Pole region has almost halved. This is a measurement only of the area of the ice; the picture becomes dramatically worse when one takes account of the diminution in thickness. Thin ice is quickly melted in the Arctic summer. The volume of ice appears to have decreased by 75% in the past 30 years. Many predict that the ice will have gone completely by the middle of the century. The prospect of an ice-free Arctic Ocean points to the opening of viable circumpolar sea routes, which would greatly shorten the distance of sea voyages that presently pass through the Suez and Panama canals.

In such circumstances, we must also envisage a dramatic rise in the sea level. Of course, the melting of sea ice alone cannot raise the sea level, but there will be a concomitant melting of land-based ice. The rate of loss of ice from Greenland has increased by a factor of five in the past 20 years. It is currently causing a rise in sea level of 2 millimetres per annum, which seems small enough. However, if all Greenland's ice were to melt, the sea level would rise by more than 7 metres.

The rise in temperature and the reduction in ice cover are accompanied by vicious processes of positive feedback. The reduction in ice cover reduces the albedo, or solar reflectivity, of the Arctic region, which leads to a greater absorption of heat. The melting of the Arctic tundra is giving rise to emissions of methane, a potent greenhouse gas. Mole for mole, or volume for volume, it has 20 times the warming effect of carbon dioxide.

The melting of the Arctic ice has been witnessed by the members of the committee who travelled to Svalbard, a cluster of islands dominated by Spitzbergen, which is 20 to 25 degrees from the North Pole. This is the world's northernmost area of permanent habitation. The largest settlement is at Longyearbyen, which accommodates some 2,000 permanent inhabitants. The port of Longyearbyen, which has become substantially free of ice throughout the year, is the main logistic base for the cruise industry and for the cargo supplied to the settlements on Spitsbergen. Surface temperatures in Svalbard have increased by 3 degrees centigrade since the mid-1970s. The normal processes of commerce and industry have been evolving rapidly, in step with the evolving climatic and environmental conditions. The coal-mining industry, which has been present on the island since the beginning of the 20th century, is now in long-term decline, but a booming tourist industry is taking its place. The island is envisaged as a major logistical hub for the development of commercial and

maritime activities in the polar regions. It is difficult to witness such normal activities and, at the same time, bear in mind the notion of an impending catastrophe. Svalbard provides a singular instance of the difficulty of reconciling the conflicting perceptions of normality and catastrophe, and of fully recognising the dangers we face.

There is, however, one factor present in Svalbard that should serve regularly to remind us of the dangers: the international university centre that is devoted to Arctic studies. A stream of information and analysis emanates from the centre, which can leave us in no doubt of the prospects for the Arctic. Svalbard hosts a large and growing scientific community in which the British have, so far, been major participants. One of the main recommendations of the Arctic Committee's report is that our scientific presence in the Arctic should be bolstered in order to maintain the importance of our participation. This and other recommendations have met with a favourable but lukewarm reception in the Government's response. Given the stringent limits the Government are imposing on the nation's limited scientific budget, I am fearful that the recommendation will not be heeded. I urge that it be given the utmost priority.

If the processes we have witnessed in the Arctic continue, there is a strong likelihood that we will be tipped into a runaway process of global warming that will wipe many of us off the face of the earth. This is a means by which anthropogenic global warming might eventually be overcome. It seems to me that an ant colony has better instincts of survival than does humankind. I have witnessed at first hand the effect on the Arctic of a rapid process of warming, and I have been alarmed by what I have seen. I wish to voice my alarm. I firmly believe that, by maintaining and increasing our engagement in Arctic matters to an extent that may far exceed what the present Government regard as appropriate, we can raise our awareness of the hazards and enhance our ability to react to them in a timely and resilient manner.

4.54 pm

Lord Greenway (CB): My Lords, I was amused by the introduction by the noble Viscount who has just sat down regarding the pros and cons of global warming. I am not certain which camp I fall into. I am prepared to recognise that things have been changing, but will they go on changing? No one can predict what is going to happen in the future. All the computer models rely on the data that are put into them, and nature can throw up a googly at any time. What, for instance, would happen if we had a major volcanic eruption such as has happened in the past in Yosemite Valley or the Western Ghats of India? It would totally transform the weather pattern and to all intents and purposes would probably increase the ice extent enormously. So the problem is totally unpredictable. We can prepare only for what we think is happening, but we do not know that it is going to continue to happen. I will not say any more on that subject.

I also was not a member of the committee but I have visited Svalbard—admittedly about 10 years ago—when I went on a cruise in a former Swedish Government

[LORD GREENWAY]

ice-breaker operating as a cruise ship. That was one of the last years when the ice extent was fairly severe, and in fact we were unable to do what was intended for the cruise, which was to circumnavigate the main island of Spitsbergen. However, we went up to 80 degrees north and had the delightful enjoyment of following polar bears in the ship—at a respectful distance. I must say that the Arctic is simply wonderful. The silence is another thing that struck me.

I congratulate the noble Lord, Lord Teverson, and the committee on their report. He said that they were unable to visit Ny-Ålesund. We did get there, on midsummer night, as it happened. We were strictly warned not to mix with the natives—that is, all the scientists—who were having an enormous party around a big bonfire. They had partaken of liquid refreshment, and as we were walking around the small settlement it took no time at all for them to say, “Come and join us”—and we all had a very good party.

I want to talk about the maritime side of the Arctic, which has been mentioned by a number of noble Lords. It is true that the much-trumpeted northern sea route has so far turned out to be a bit of a damp squib. The vast majority of the ships transiting the north-east passage are Russian, and a lot of them are taking oil or minerals from Russian settlements—not exactly going the whole way around the north of Russia. Those few other ships, apart from specific ice-breakers that go around, are in the main special ice-strengthened ships, which, as has been said, makes them a lot more expensive. They belong in the main to just two or three companies. One in particular, a Danish company called Nordic Bulk Carriers, has four reasonably large bulk carriers and two slightly smaller ones. These ships are specifically built for Arctic conditions. One of them has circumnavigated the world around the top, by going through the north-west passage and the north-east passage.

The ships transiting the north-west passage are mainly small yachts and the odd small cruise ship. The bulk carrier that I have just mentioned did it once eastwards, taking coal from Vancouver to Finland, and last year a Canadian bulk carrier took 23,000 tonnes of nickel concentrate to China. She is a specially built vessel and was able to complete the trip on her own without any assistance. Most of the ships going through the north-east passage have to have ice-breaker assistance and ice pilots. It is all very well to say that the distance is shorter—indeed it is, quite a lot shorter—but there are those expenses, and some types of ships like to call in at other ports.

Container ships are a particular example. A Chinese container ship went from China to Europe three years ago; the same ship has just completed its second voyage, which has led China to announce that a new “golden waterway” is opening up for trade. I will believe that when I see it. The season is not particularly long; it lasts from early July to mid-November—about now—and most of the ships in the early period are specifically ice-breakers. I very much doubt if the Chinese, as reported—this happened only last week—will set up a regular container route, because of the unpredictability. We have heard talk that the hydrographic charts in the area are not necessarily up to normal

international standards, and the unpredictability of ice means that you can sail along in clear water for two or three days quite happily, but the next day you are completely surrounded by thick ice, because the ice is moved by wind and can shift all the time.

Therefore, certainly for the time being, there will not be any major traffic routes for international traffic round the north. Indeed, the Russians, who were very overoptimistic when they started opening up this waterway, have had to eat their words, and now say that international traffic will be very small: less than 1% of what goes through the Suez Canal. The other reason that ships go through Suez is that they stop off at a lot of way-ports to load other containers. If you go round the north, you will not load anything.

In May this year the International Maritime Organization, which is based on the other embankment, just across the river, adopted a new environmental part to its Polar Code, which from 1 January 2017 will be mandatory for all new ships to adopt and which deals with environmental matters such as discharge of oil, sewage, ballast water, and so on. All ships after 1 January 2018 will have to be brought up to standard when they go through renewal surveys.

The noble Lord, Lord Soley, mentioned cruise ships. Many small cruise ships have been operating in Antarctic and Arctic waters for some time. The larger ships, which have been going down to Antarctica, are beginning to move into northern waters—I am talking about ships carrying 3,000 or 4,000 passengers. Greenland is particularly worried about this. In fact, I believe that it has stipulated that whenever a ship of that size goes up, it must be in consort with another ship of the same size so that there are two of them. That is not necessarily a good thing. I was talking to a former captain of the QE2 earlier on today, who said that it is dangerous enough for one ship; two can double the danger, if noble Lords see what I mean. So quite a number of things are still to be sorted out. Incidentally, looking on the web today I see that the Greenland ice sheet has been growing this year, at the fastest rate for the last four years—so the situation is still very unpredictable.

The Government’s response has been measured, recognising the supremacy of the Arctic Council. However, they are absolutely right to continue to be as engaged as is possible, certainly as regards British expertise on oil-spill response and all those sorts of things.

The key to everything, as has been said, is co-operation—not only between the Arctic states but internationally. Russia has been mentioned at length. It is always a bit of an unknown quantity. It is certainly building new ice-breakers and rescue ships and is setting up reporting stations along the northern sea route. One can never tell what Russia is going to do. If I was a commercial shipping man—which I am not—I would think very carefully about sending my ships regularly round the north of Russia. We have had a very interesting debate and I look forward to the Minister’s response.

5.05 pm

Lord Addington (LD): My Lords, towards the end of a debate like this, with so much expertise in the Chamber—experts here have listened to everything that I have listened to—there is not much new to say.

However, I have one small advantage over the rest of the committee—I was the member who was sent to the Arctic Circle Assembly, an event in Reykjavik roughly a year ago. This was a meeting of all those based and interested in the Arctic; it included everything from commercial to scientific interests. If I concentrate most of my remarks on what I saw, I might be able to bring something new to our debate.

James Gray MP, who is no longer at the Bar of the House, led the delegation. It had been noted the year before that the British had been absent; it was not appreciated that a nation that was close to the area, had a scientific base, and knew what it was talking about in terms of research was not represented. So there was a large British delegation; I was a member of the Arctic Committee, which was once again greatly appreciated by the rest of those present. It was thought to be a very good thing, something which resonated far beyond most reports, especially when they were being discussed. We were seen by major European powers and just about everybody else. The noble Lord, Lord Greenway, has just talked about shipping. We were seen by every major shipping nation on the planet—Singapore, India, China, Japan, Korea; you name it, they were there. It was seen as a very good thing that we sent a delegation and took an active part in that conference.

This led to one of those moments that happen only by accident. As the conference took place at this time of year, everyone was wearing poppies. It was suggested that we should all wear a proper poppy, not the little badge like I am wearing today, and that when we were on stage at this major conference of about 2,000 to 3,000 people, we would all have a nice big poppy on our lapels and make a short speech. There was, if not a water cooler moment, a coffee queue moment when a 23 year-old German research student said to me, “Why are you wearing flowers on your lapel? Is it something to do with gay rights?”. That was an interesting conversation which may not add very much to our deliberations, but it goes to show that any time spent in such a conference lets you give something to the rest of the world and your understanding of each other.

Most of the issues mentioned in this debate were discussed in small groups and clusters. The noble Lord, Lord Hunt, spoke about melting permafrost releasing methane. I saw films about jets of flame coming spontaneously out of the ground; sometimes light catching on water can create this spontaneous effect. It can happen in the Arctic where the permafrost is melting. Anybody who denies that the world is getting warmer should have had a good long listen to the speeches that were made. It is getting warmer—there are no two ways about it—but we do not know at what rate that is happening. We have heard many discussions about ice regarding shipping. There is no way of knowing exactly when you will get a mainly ice-free route. Because most of the ice has been got rid of, it does not mean to say that it is safe for shipping. Forget the “Titanic”—an iceberg the size of a small car can take out a supertanker and, if that big ship is carrying oil, God help us all. All those considerations came through. There were discussions about insurance and what is required to go with that.

If people think that it is a good idea to extract minerals from the melting permafrost, they need to know that it cannot be done for some time, because you do not get firm ground; you get swamp and scrub forest, which is probably more difficult to operate in than permafrost. We just do not know what the changes are going to be. That is probably why we should pay far more attention to the scientific observer base—and, indeed, not just pure science but applied science, including engineering. Without that, we will not know what we can do and what the opportunities will be.

There was a huge absence at the conference. I was going to say that it was the elephant in the room but in fact it was the bear. Russia was not present because of what had happened in Ukraine, although there were one or two representatives from Russian regional government. I remember an incredibly colourfully dressed gentleman who said that he represented all the reindeer herders across a huge area of Russia. He claimed that there was a reindeer herder somewhere up in Scotland. I must admit that I was ignorant of that before the event started but apparently that is the case. One question that I want to ask is: how can you discuss the Arctic and the shipping lanes when the person providing safety and monitoring is not there? Unless we manage to establish practical lines of communication, we are never going to achieve at least some useful activity in the area and we will never be able to protect our own interests there, as I think everybody agrees.

In drawing to a conclusion and overview, I say that the changes in the Arctic that we discovered are leading to opportunities, but the fact is that we simply do not yet know what they are going to be. Everything is going to change, including attitudes towards people and social pressures, and unless we interact at a more grounded level, we will make mistakes. The committee heard—this was confirmed to me when I was in Reykjavik—how Greenpeace is bombarded by expletives from the Canadian Inuit and Greenlandic Inuit. They really do not like Greenpeace, whose members tell them, “You mustn’t kill things. It’s naughty”, but the Inuit make a living from harvesting seals. Indeed, it was suggested to me that polar bears are also harvested. I found that a little hard to take but that was said to me by people who come from there.

How do we integrate with these people? If we do not talk to Russia, we cannot find out what most of them think. We cannot walk to those territories. If we bring about economic growth and development there, we cannot pass it on to the huge parts of the population who are directly affected. We have to have lines of communication open at all times. We need to invest in the diplomatic and scientific community and study this at a global level. It may not be the most densely populated area of the globe but this is a global issue. If we do not invest in that way, we will miss out. I hope that in future the Government take on this work and realise that it is merely a starting point. We must invest time and energy—although probably not that much money—to get the best out of this. If we do not, we will miss out on a changing situation which will tell us about the troubles and opportunities to come.

5.13 pm

Lord Stevenson of Balmacara (Lab): My Lords, I join others in thanking the committee for its excellent report. I think that photographs should become de rigueur for committee reports. They certainly add a little to the enjoyment of those who have to read them from cold. In this case, they played a special part because, without seeing some of the photographs, I do not think that we would have carried the narrative quite so well. Having come to this knowing relatively little about the area, it was very helpful to have them. I also thank the chair of the committee, the noble Lord, Lord Teverson, for his excellent introduction. He managed to draw the climate issues, the politics and the science strands of the report very neatly together and left us with a full appreciation of the issues at the heart of the report.

I am one of three people speaking in this debate who was not a member of the committee, but I think that we have missed out because the trip seemed to weigh heavily on those who were able to do it and they came back with new insights. Even if one was not there, it has been said enough today that we all need to think much harder about this area—its size, its remoteness, the fact that climate change is real and is happening there, the fact that there are so many people who live in what appears to be a barren and open space—the figure of 4 million has been mentioned—and that a population like that needs to be supported and looked after.

We have also learnt of the slightly odd governance arrangements, whereby those who live there are not directly involved in how the area is governed, and of the need for more science because we simply do not know enough about the issues. More co-operation is also a theme that comes out strongly from the study. We need to think, too, about the fact that the group that largely controls things is now being joined by more countries taking an interest in the area, not because they have geographical connections but because they see their interest perhaps in the resources and more generally—so we are seeing people from Asia and other parts of Europe getting involved. As has been said, our interest is not just because we are the closest neighbour to the Arctic Circle, which is important, but because we have engaged with the area over a long period and think it important enough to want to continue to do so.

What comes out of the report for me, reading it relatively cold—I am sorry about the pun—is the need to try to insulate the Arctic from tensions arising in other parts of the world, whether that is a good thing or a bad thing. It also raised the question whether that is feasible. The report is interested in not just the geopolitical tensions, which I think are important and will have an impact if action is not taken, but the physical and resource questions—which I want to come back to—which might require some form of isolation or protection of the area as a whole in terms of fishing, drilling and access to its resources.

However, the noble Baroness, Lady Neville-Jones, made the important point that most of the immediate pressures on the Arctic originated elsewhere and continue to have a huge impact, so we are talking about carbon

dioxide and methane warming and the economic developments that are causing resource pressures which may in turn impact badly—we have just heard about seal culling and other impacts which affect the indigenous people. So a lot of things are going on here and it is not at all clear how the present governance structures or our own interests will be calibrated to deal with them.

The bear in the room is Russia—several noble Lords made important contributions to this effect. It is clear that realpolitik is as important as the long-term games and objectives in terms of calibrations about nation-to-nation relations, but the presence there of people wanting to do different things suggests that as a country, using whatever power and influence we have in other areas, need to work directly with people with whom we would perhaps want to differ on certain issues if we are going to protect the Arctic. That strand comes through as very important. In that respect, the contribution of the noble Baroness, Lady Miller, on the possibility of creating a nuclear-free zone is surely worth a response by the Minister.

It is not just nuclear positions; militarisation is also going on. The noble Lord, Lord Moynihan, mentioned that most people seem to think that Russia has at least regenerated its military capacity of a few decades ago and others are not far behind. What is going to happen about that real and present threat? Are the Government ready to take this on and, if so, can the Minister comment on it?

I have mentioned already that we are talking about a significant number of people who live in this area and who have to gain the resources necessary to provide their living and to work with whatever other agencies are up there. We note that in their response the Government agree with the committee that the right way to do this is through the Arctic Council. The questions then are how that is developed, who is on it, what the relative powers and responsibilities are and, in particular, how we take forward the interests of the indigenous people. In his opening remarks the noble Lord, Lord Teverson, called for a strengthened role for the indigenous people if we are going to make sure that this is a sustainable, long-term arrangement, but of course there are real practical and operational difficulties in doing that. Again, I will be interested to hear how the Minister will respond further on this.

The most startling thing I noticed in the report was a figure which has been mentioned by a couple of people, which is that,

“30 per cent of the world’s undiscovered, recoverable, gas and 13 per cent of its undiscovered, recoverable, oil”,

supplies are located in the Arctic. The point was made by a number of speakers that we have an opportunity created by economic effects elsewhere that would possibly allow us to get our act together, if we are going to think about how best to approach the issue. It would be largely led by the private sector, and those who wish to be involved will make representations, but the march of progress given that amount of resource available, together with the changing climate making these gas and oil supplies easier to reach, is going to cause problems in the near term, if not immediately. How is this going to happen? The Government’s response says

that the best way to do this is by working through the existing arrangements and instruments, and so far as it goes that is obviously a good starting point.

If we take first the oil and gas issues, the problem if they are developed, as was mentioned by the noble Lord, Lord Moynihan, is the need to ensure that proper remediating activities are put in place and that we are alert to the fact that such activities will cause incredible damage if they are not properly looked after. There is quite a bit of policy in this area now, particularly through the United Nations guiding principles and other action on mining and the extractive industries. Will the Minister share with us whether he feels that the Government's response to this is strong enough, given the need to make sure that should there be any development of this type in the Arctic, these are important principles to be relied on?

On the question of fishing, the noble Lord, Lord Hannay, said that the Government's response is inadequate and out of date. Given that the Government are relying on the United Nations Convention on the Law of the Sea, to which one of the major partners, the USA, is not a signatory, that is obviously a bit of a problem. But as he said, the convention may not be the best mechanism because, if there is already a moratorium in place which has been signed by four of the littoral countries, that is something we should look at carefully. Again, the Minister might wish to respond on progress in this area.

A lot of this will be about diplomacy and the willingness of the Government to invest in order to make sure that the desirable objectives set out in this report are achieved. As has been explained, there is an FCO Minister for the polar regions, but the Government do not seem to believe that there is a need for the appointment of a single UK ambassador, although a number of noble Lords have suggested that that would make a difference. But whether an individual is appointed with plenipotentiary powers or as part of the ambassadorial service, the issue is surely about whether the resources are in place to ensure that the decisions we take in this area and the impact we wish to have can be effective. The noble Lord, Lord Addington, made much of the fact that when we did send a delegation recently, it was well received and the wish was expressed that we should continue to do so. However, Governments should not will the ends of policy without also willing the means, so I would be grateful if the Minister can confirm that the Government's commitment to have representation, even though it may be described rather diffidently in the report, will be resourced on time. Logically, if we are going to do more, and given the importance of the area and our UK interests, we should not be saying that we will do this only if resources permit; we should be doing it anyway.

The final phrase in the report before the summary and conclusions states that:

"The UK is the Arctic's nearest neighbour and the Arctic is the UK's neighbourhood".

That is a clever arrangement of words, and I think that for us it means that the Government must invest in this relationship if they are going to reap the benefits for the UK and for international common interests. It is

too important to be left to others; we have a role to play and we should pick up the areas where we want to do so.

The noble Lord, Lord Teverson, described this report as a "wake-up call", and I think he probably meant that it is a wake-up call for the Government. I look forward to the Minister's response to that—and of course he was a member of the committee so I think that he has some prior knowledge of what to say. But I hope that this has also been a wake-up call more generally. Often in this House we keep our heads down on our day-to-day business and look only at domestic issues. When we read this report, we see a wider world for which there are great aspirations and huge interests in which we should be more involved. I am grateful to have been given the chance to speak in this debate because I have learnt a little more about this wonderful world. I recommend the report to the House.

5.24 pm

Lord Ashton of Hyde (Con): My Lords, this has been an interesting debate, on an important subject, and I thank all noble Lords who contributed and gave of their wide experience and knowledge. It is customary in Select Committee debates to thank the chair. I join other noble Lords in paying tribute to the noble Lord, Lord Teverson, since, as the noble Lord, Lord Stevenson, mentioned, I was a member of this committee, all too briefly, before I was entombed in the permafrost of the Government Whips' Office. I also thank all other noble Lords and staff involved with the Select Committee for their outstanding efforts in putting together a balanced, thoughtful and well-evidenced report. Lastly, I thank my noble friend Lord Tugendhat, who originally proposed the idea for this Select Committee, for consequently focusing attention on the important issue of the changing Arctic.

As their response to the committee's report makes clear, the Government believe that their approach to the Arctic, as laid out in the Arctic policy framework, was and remains the right one. However, we also agree with the committee that more can be done to ensure that the UK continues to take a leading role in the Arctic issues that affect us, and we are grateful to the committee for its constructive suggestions on how to do this. Our response sets out a number of steps which, taken together, represent a significant evolution of the UK's Arctic policy. It is worth noting and celebrating the fact that, of the 67 conclusions and recommendations in the committee's report, in only two specific areas have the Government not been persuaded of the strength of the committee's recommendations. These are the appointment of an official Arctic ambassador, which I will come to later, and reassigning the existing Arctic policy framework as a strategy.

The UK's Arctic policy is based on respect, co-operation and leadership. The Government will show that leadership—the noble Lord, Lord Teverson, wanted it to come first—by hosting an international policy forum at Wilton Park. The event will address a major policy issue affecting the Arctic. We will organise it in co-operation with our Arctic partners to ensure it complements, rather than duplicates, the work of the Arctic Council. We will focus the event on the best way

[LORD ASHTON OF HYDE]

to ensure that we and our fellow non-Arctic states can engage, in practical policy terms, in working with the Arctic Council states in delivering their long-term vision for a safe, peaceful, successful and inclusive Arctic. We are working hard on this with Wilton Park and we hope to be in a position to confirm the date of this conference in the near future.

The committee's report rightly pointed out the gaps in our understanding of the Arctic Ocean. I am delighted that, following the Government's response, the Natural Environment Research Council decided to fund a multiyear, £16 million strategic research programme called "The Changing Arctic Ocean: Implications for Marine Biology and Biogeochemistry", looking at important changes in the Arctic Ocean. This was also highlighted by the noble Lord, Lord Teverson, and my noble friend Lady Neville-Jones. The research will help to address some of the biggest knowledge gaps in our understanding of the Arctic. It is a worthy demonstration of the continued UK commitment to this unique region. The programme builds on the £15 million Arctic research programme that ran from 2010 to 2015, and is already producing valuable data and conclusions that assist our understanding of this rapidly changing region.

We are also committing to a number of steps that will build on the existing co-ordination across government and the research community. The Foreign and Commonwealth Office will lead discussions across Whitehall to develop and agree plans for engaging with the Arctic Council. The plans will align with the set of Arctic Council chairmanship priorities and enable us to focus and maintain our engagement on the subjects that matter most to us. The UK's Arctic office, funded by the Natural Environment Research Council and hosted by the British Antarctic Survey, will assist co-ordination to ensure more effective involvement in the Arctic across research disciplines. The Government, through the science and innovation network, will explore options for agreeing memoranda of understanding on Arctic and polar research with key partner countries. These will help to build on and support the already extensive framework for co-operation that exists between UK scientists and their international counterparts.

The Government's commitment to the polar regions as a whole has been very visibly demonstrated by the announcement earlier this year of the decision to procure a new £200 million polar research vessel, to which the noble Lord, Lord Soley, referred. This vessel, which will be built by Cammell Laird in the UK, will provide a state-of-the-art platform for the latest polar science. I will come to how that will be used.

The main point that we disagreed with the committee on was the appointment of an Arctic ambassador, as mentioned by the noble Lords, Lord Teverson and Lord Hannay, and my noble friend Lady Neville-Jones, among others. We accept that we need to have a better co-ordination of effort, but we are not convinced about the added benefits that an Arctic ambassador would bring to the UK's engagement with that region. We have a Minister for the Polar Regions to represent the UK at a political level. We have senior civil servants who provide the same functions as the Arctic ambassadors of other countries in all but name.

The noble Lord, Lord Hannay, mentioned the cost of the ambassador. I almost thought that he was putting in a job application, but he says he is not. There will be some costs, but we also have 200 scientists who work in collaboration with others in the Arctic. They are fantastic ambassadors for the UK.

Our response commits us to a more strategic engagement with the Arctic Council and a greater role for the head of the UK's Arctic office in assisting co-ordination across scientific disciplines. We feel that our methods so far have actually been rather more effective, but I say in particular to the noble Lord, Lord Soley, that we have not closed our minds. We take note of the points made by the noble Lords, Lord Soley and Lord Hannay, about the ambassador. I also welcome the positive comments about the Polar Regions Department in the Foreign and Commonwealth Office.

I mentioned costs, but I do not think that the additional costs of an ambassadorial appointment are the main issue. We feel that the extra job that the ambassador would do is not currently fully convincing.

The noble Lords, Lord Hunt, Lord Oxburgh and Lord Teverson, and my noble friend Lady Neville-Jones asked what the practical points about appropriate representation to all future political-level meetings of the Arctic Council meant. We have been represented by the Polar Regions Department at political-level meetings—by that I mean senior Arctic official and ministerial meetings—since the start of the Arctic Council in 1996. The exact level of representation from the UK, official or ministerial, is obviously determined by the nature of the business under discussion. We keep all the meetings under review and we will always ensure that the UK is represented at the appropriate level. The UK's Arctic office will fund the UK's expert participation with the Arctic Council's working groups and task forces, in line with the UK's scientific and strategic priorities. Obviously, that is subject to resources.

The noble Lord, Lord Addington, talked about the UK's presence at the Arctic Circle Assembly in 2015. He mentioned the fact that we maintained a profile set by the 2014 delegation that he attended. This year's delegation was led by the Foreign and Commonwealth Office's chief scientific adviser, Professor Robin Grimes. Interestingly, Russia had a very significant presence at the Arctic Circle Assembly in 2015: its Arctic Council representative, its Deputy Minister of Transport and the governor of Archangel province. These fora are useful for co-operation at many different levels.

The noble Lords, Lord Hunt and Lord Oxburgh, asked whether we should have better co-ordination of UK effort in the Arctic Council. We agree that we can be better co-ordinated. Paragraph 75 of the Government's response is pertinent here. The FCO's Polar Regions Department, together with the head of the UK's Arctic office, under the direction of the director of the British Antarctic Survey, will work to assist this co-ordination.

Many noble Lords mentioned Russia—one of the largest Arctic states and obviously a key player—given the problems occurring with co-operation with Russia and sanctions in the rest of the world. In fact, the Arctic is a model of co-operation with Russia so far. Russia is a signatory of the Ilulissat Declaration of 2008, which commits the five Arctic coastal states to

orderly settlements of disputes using international systems, such as UNCLOS, and minimising potential for conflict. So far, in any disputes that Russia has had—for example, the Barents Sea dispute with Norway—it has used international rules-based organisations to address them. This commitment, which Russia agreed, was reiterated in 2015 at the end of the Canadian chairmanship.

However, we are not naive about Russia's military posture and related issues in the Arctic. The establishment or reopening of relatively small-scale military and search and rescue facilities has been proceeding for some time. It is taking place in Russian sovereign territory and we do not believe that it creates a real cause for concern. I stress that we absolutely do value co-operation in the Arctic, which we think is a special place in the world, as the noble Lord, Lord Hannay, and others mentioned. So far, this applies to Russia and is in many ways a model of what could happen in the rest of the world. For example, I can point to scientific co-operation with Russia that is still ongoing. In fact, a small team from the Russian Arctic and Antarctic Research Institute visited the UK in April 2015. The Russian scientific base is extremely important. Russia is crucial to understanding Arctic systems, as has been mentioned, in particular the melting of the permafrost and release of methane gas.

We are keen to find broader and deeper ways for British and Russian Arctic scientists to co-operate in this field. We will look at ways to collaborate more effectively. We are keen to ensure follow-through in order to work more closely with Russia. The head of the UK's Arctic office will address these issues, in addition to numerous others.

My noble friend Lady Neville-Jones made an interesting point about consideration of Arctic issues in policy-making. The publication of the UK's Arctic policy framework demonstrated the Government's commitment to consideration of Arctic matters across a range of UK policy interests. This will be reviewed by the end of the financial year. The Foreign Office will continue to chair the cross-government Arctic network to ensure continued focus on Arctic matters across relevant policy areas.

The noble Lord, Lord Stevenson, asked about principles for mining and extractive industries. Governance of those extractive industries lies primarily with the Arctic states, which is where their work currently takes place and will to a great extent. The UK encourages the highest safety and environmental standards, both in regulation and directly with British companies. As has been mentioned, the first part of the polar code has been signed as part of the International Maritime Organization's efforts.

The noble Lords, Lord Hannay and Lord Hunt, talked about fishing in the high seas in the Arctic. The UK supports the creation of marine protected areas where the science supports it. We are working with other partners and OSPAR to assess appropriate marine protection measures. We are aware of the agreement between the five Arctic littoral states on a moratorium on fishing activities in the Arctic high seas area, and we are sympathetic towards their intention to gain further support for this from the EU and other fishing nations.

The noble Lord, Lord Hunt, mentioned search and rescue in the Arctic. We have world-renowned expertise and significant knowledge and experience of search and rescue as a general subject, but we do not have specific expertise in Arctic search and rescue. That is held by the countries surrounding the Arctic. However, we are very much alive to coastguard and search and rescue issues. The requirement for the UK maritime patrol capability is being considered as part of the 2015 strategic defence and security review process.

The noble Lords, Lord Hannay and Lord Greenway, talked about Arctic tourism, and possible help with search and rescue. We think that any charge on tourism in the Arctic is a matter for the sovereign states, but operators, and so passengers, already pay landing fees when they land in the Arctic—for example, in Svalbard and Greenland. So a route for funding search and rescue is already in existence, and it could be argued that passengers are already supporting such systems—although it would usually be linked to military forces as well.

The noble Lord, Lord Soley, asked about the new polar research vessel. It has the capability to deliver science in the Arctic as well as the Antarctic, but its primary function is to support the UK's Antarctic presence. It will also be able to operate in the north during the Arctic summer—that is, the Antarctic winter—as the science priorities require. I cannot give a more precise timetable for where it is going at the moment.

The noble Baroness, Lady Miller, introduced an interesting new point, which was not in the committee's report, about a nuclear-free Arctic, and mentioned the growing support for that idea in many countries. We recognise the aspiration for a nuclear-free Arctic, but of course such matters are, in the main, for the sovereign Arctic states. In the meantime, it is encouraging that the Arctic states—sadly, currently without Russia—meet at defence level in the Arctic Security Forces Roundtable. This also includes the UK, Germany, the Netherlands and France. That level of co-operation and engagement is encouraging.

The noble Lords, Lord Teverson and Lord Soley, asked about indigenous peoples, and especially mentioned the specific knowledge they can contribute to the science base. We fully respect their rights, and the focus of our efforts is to ensure that indigenous peoples' knowledge is taken into account in developing Arctic science. We are pleased that the UK was able to work so successfully with the Arctic Institute and the Science and Innovation Network to incorporate the views of indigenous people at the recent Arctic Circle assembly in Iceland. We will keep our engagement with indigenous peoples firmly at the front of our Arctic policy.

I am running out of time. If I have not answered all the questions asked by noble Lords—

Lord Hunt of Chesterton: We have not mentioned Scotland in the whole of the debate. There was a very important laboratory—SAMS, the Scottish Association for Marine Science, whose head resigned. Surely we should not be having the conference in Wilton Park; it should be in Scotland—the part of the UK closest to the Arctic. It will be a typical example of the London-based thinking that people criticise if we do not have this big conference up in the north.

Lord Ashton of Hyde: I take that point, but I do not think that when scientists sit round and discuss issues, it matters whether they are in Scotland, England or any of the other Arctic observer states, including South Korea, China and India. They are not all in the north.

We have had a very constructive and informative discussion about the importance of this unique region to the UK. The Arctic is undergoing rapid change. It is not the Arctic of 20 years ago, and it will be different again 20 years from now. Global Arctic policy must be ready for, and take account of, these changes. The UK will play its part. The steps outlined in the Government response will help to ensure that we remain one of the most active and influential non-Arctic states. The Government are clear that our policy towards the Arctic will be kept under review. It has to be, to keep up with the rapid changes we are seeing, and our improving understanding of those changes.

The Government will report back to the House, through a letter to the Chairman of the Liaison Committee, on developments outlined in our response within 18 months of the report's publication. The United Kingdom has a key role to play in the Arctic. Our scientists, our business leaders and our Government representatives will all be closely engaged. The steps outlined in the Government response will help to ensure that we remain one of the most active and influential non-Arctic states, while—importantly—acknowledging the rights and primacy of the Arctic states themselves.

5.46 pm

Lord Teverson: My Lords, I thank the Minister for his reply. When I spoke earlier, I did not declare an interest as a board member of the Marine Management Organisation. I thank all noble Lords who have taken part in the debate, not least those who were not on the committee—the noble Baroness, Lady Miller, and the noble Lord, Lord Greenway. I did not think anybody would manage to get the Western Ghats into the debate: although they exploded 56 million years ago, I hope that will not happen again in our lifetime.

I particularly agree with the noble Lord, Lord Hannay, about the tourist tax. When we arrived in Svalbard, only 800 miles from the North Pole, we thought we were heading an expedition into the unknown and the dangerous, but where we were staying we were confronted by about 100 German tourists who would make the average age of the House of Lords seem relatively young. That shows how the tourist industry is changing there: perhaps we should tax them even more for their search and rescue.

I especially thank the noble Baroness, Lady Neville-Jones, for taking all the questions from the noble Lord, Lord West. That was quite undeserved, but the questions were beautifully answered. I thank her for that. On the question of Russia, which the noble Lord raised, I personally invited the Russian ambassador to give evidence, but unfortunately that was not possible. Through the good offices of the noble Lord, Lord Moynihan, we also asked Mr Chilingarov, the Special Representative of the President of the Russian Federation for International Cooperation in the Arctic and Antarctic. Unfortunately, neither of those two gave evidence.

Like many of my colleagues, I regret that we are not going to appoint an ambassador for the Arctic. I am pleased that the Minister said that the door is not closed. I saw the noble Lord, Lord Howell, on the Government Benches a while ago—oh, I see that he is still here; I apologise for not noticing him. A year ago he produced a report on soft power, and it seems to me that our recommendation represents a very cheap way of achieving that.

I thank the Foreign and Commonwealth Office for its co-operation, through Jane Rumble, its head of the Polar Regions desk, and the noble Lord, Lord Tugendhat, for suggesting that the House address this subject. Not least, I thank our special adviser, Professor Klaus Dodds of Royal Holloway College, Susannah Street, our excellent clerk, and Matt Smith, our excellent policy analyst. To the Government I say that I and the other members of my committee will keep our eye on this issue. It is a subject on which Britain needs to wake up, not from a deep sleep but from a snooze. We move forward: the Government's response is very encouraging in that respect, and we will ensure that we too keep a strong interest in this subject.

Motion agreed.

National Insurance Contributions (Rate Ceilings) Bill *First Reading*

5.49 pm

The Bill was brought from the Commons, read a first time and ordered to be printed.

Electricity System Resilience (S&T Committee Report) *Motion to Take Note*

5.49 pm

Moved by The Earl of Selborne

That this House takes note of the Report of the Science and Technology Committee on *The Resilience of the Electricity System*.

The Earl of Selborne (Con): My Lords, the electricity system of this country is embarking on a period of profound change over the coming decades. This change will be driven by technological development such as the increasing penetration of automation and intelligent systems, the deployment of advanced fast-acting control systems, dispersed generation and the transition to a smart energy system. This will increase complexity enormously. We will be increasingly reliant on electricity for transport, heating, air conditioning and much else. This change will also be driven by our national commitment to decarbonise electricity systems, yet our record for anticipating supply and demand, and for ensuring that the desirable capacity margin is in place, has in recent years been unimpressive; and this at a time when these far-reaching changes are really starting to make an impact.

It was against this background, and with some speculation in the media that the country might be subject to national blackouts, that the Science and Technology Committee decided to undertake an inquiry into the resilience of the electricity system. I refer to my interests as listed in Appendix I to our report as an honorary fellow of the Institution of Engineering and Technology, a fellow of the Royal Society and a shareholder in two companies. I thank our specialist adviser, Professor Jim Watson, and our clerk, Chris Clarke, for their invaluable contribution to producing our report.

The Government have spoken of the need to “reset” policy and have initiated a number of energy policy changes mainly designed to cap costs to the taxpayer, but have yet to set out a long-term vision for energy policy. Until a comprehensive long-term energy policy has been formulated, there is a danger of the momentum on new investment in the energy sector being lost. The record is quite impressive: more than £42 billion has been invested in renewables since 2010, with more than £8 billion being invested in UK-based renewable energy in 2014. Every Government must be prepared to formulate and articulate a clearly understood energy policy that results in an optimal balance between the three interconnected and competing demands of security of supply, sustainability and affordability, widely known as the energy trilemma.

The fact that security of supply has become a real issue for the next few winters demonstrates that previous Administrations have failed to get it right. Had not demand—that is, industrial demand—been reduced by the economic crisis of 2008, the capacity margins would have been even tighter or non-existent. Obviously, a commitment to nuclear power at £92.50 per megawatt hour, and to some of the more expensive renewable energy technologies such as offshore wind, currently costing around £118 per megawatt hour, has to be reconciled, at least in the medium term, with the requirement for affordability.

We concluded that successive Governments might have anticipated the shrinking margin earlier and taken steps to address it. As a result of inaction, the narrow capacity margin that emerges poses a threat to resilience. The coalition Government addressed this failure of previous long-term planning by introducing at short notice and at considerable cost, and in a way that conflicts with the decarbonisation agenda, the capacity market, also known as the capacity mechanism. From 2018 on, an income stream will be available to capacity providers for keeping capacity available to meet demand when the system is stretched. Interim measures known as new balancing services have been introduced to plug any shortfalls in the period to 2018. The capacity market provides no incentive for the building of new generating plant, the development of demand response or the extension of interconnectors. Instead it rewards incumbents, including coal-fired units, thus acting as a counter to decarbonising policies.

Professor David Newbery of Cambridge University warned us that if the capacity market overprocures, the consequences would be higher prices to consumers, the undermining of renewable energy by transferring support to conventional generators and the weakening

of the business case for other options, including future interconnectors, which will be increasingly important as the share of intermittent electricity from renewables rises.

We were surprised by the paucity of information on the true costs of electricity shortfalls. The potential contributions of interconnection with foreign suppliers and of industrial back-up generation need to be rigorously assessed to make the appropriate decisions on the procurement of capacity. We recommended that the Government review the contribution that interconnection and industrial back-up generation could make to capacity margins. Since our report, the national grid has published some helpful information on interconnection in its 2015 *Electricity Capacity Report*.

In the medium to long term, new technologies and the development of existing technologies will be the key to achieving a resilient electricity system. As with every aspect of our economy, we will depend on investment in research and development to be competitive in the long term. We must ensure that we attract to this country the innovative companies that are most likely to advance these technologies. Investors value continuity of policies and want to be assured that whatever national energy policies are put in place will stay in place for at least the medium term.

Investors will also be attracted to this country by the quality of our publicly funded research. There is a case for public funds also to contribute to development and to the demonstration of new technologies, but such support should be given only if, in the medium term, it reduces the costs of these new technologies. A technology with long-term reliance on subsidies is clearly not sustainable.

Our national record of improving energy efficiency of buildings compares unfavourably with that of most other European countries, yet energy efficiency can make the greatest contribution to the affordability of electricity. Improving energy efficiency is also often the cheapest way to bring down emissions. The Committee on Climate Change has noted that industrial energy efficiency lacks effective policy. The Government have terminated the Green Deal, while the energy company obligation is due to end in March 2017—both measures aimed at improving energy efficiency in the built environment.

The key message from our report is that we need to improve our long-term planning of the electricity system. This requires clarity of the roles of the many participants in the electricity market and openness about the present and foreseeable state of the technology. It is imperative to look at the electricity system as whole so that complex interactions are not missed between the many components of the system.

The Institution of Engineering and Technology made the case to us for an “electricity system architect”. This architect would have responsibility for embedding whole-systems thinking across the whole electricity system. We agreed, as did the then Secretary of State Ed Davey, that the IET was asking the right questions, and that it is imperative that the electricity system is looked at as a whole to enable effective engineering integration across the electricity system as changes occur.

[THE EARL OF SELBORNE]

The major players involved in maintaining resilience are the Government, of course, the national grid, Ofgem, the electricity generators and the distribution network operators. The IET in supplementary evidence said that while there was wide industry consensus on the need to introduce effective whole systems, there was continued debate on the role of government and industry self-regulation in delivering this. The network companies, for example, would be concerned about the possibility of close government engagement in aspects of their business that require specialist technical knowledge and experience. However, given their policy objectives, the Government have had little choice but to play a greater role in managing the electricity system. We therefore endorse the Government's adoption of a managed market and stress that it is explicitly for the Secretary of State to provide leadership and clarity on responsibilities.

The Department of Energy and Climate Change has asked the Energy Systems Catapult to investigate further the concept of a systems architect and to provide evidence of what functions will need to be performed in the future power system as a result of transformative change, and by when. This is a helpful response. The sooner this exercise can be undertaken the better. Can my noble friend the Minister tell the House when he expects the Energy Systems Catapult report and what its role might be thereafter in this respect?

Many believe that we should be heading towards a system of small-scale, decentralised power generation, with an integrated grid based on flexibility. New nuclear power plants have the potential to provide greater flexibility through emerging technologies such as small, modular reactors, yet we seem to be favouring large-scale block generation such as at Hinkley.

Demand-side response describes the process of electricity users adjusting the amount of electricity they use at certain times in response to incentives. We heard that while demand-side response has significant potential, current policies do not set it on an equal footing with generation and more could be done to harness its potential. We recommended that the Government develop a plan with specific targets for the public sector to implement demand-side response measures and so set an example to others. Technologies such as electricity storage, interconnection, carbon capture and storage, and demand-side management will all be key to a resilient electricity system.

I said that it is incumbent on each Administration to formulate a clearly understood energy policy, which results in an optimal balance between the competing policy demands of security of supply, sustainability and affordability. Investors in big projects for post-2020 electricity generation and transmission—indeed, any investors—need to understand what policies will be in place and to have confidence that such policies will not be overturned by short-term considerations. We need to seek consensus on UK energy policy based around the trilemma and we need to achieve this consensus soon. I beg to move.

6.02 pm

Viscount Ridley (Con): My Lords, I congratulate my noble friend Lord Selborne—I think I can call him my noble kinsman, since we share a great-grandparent

—on this excellent report and on chairing this inquiry with his characteristic skill, courtesy and perceptiveness. I declare my interests as listed in the register, including, most importantly, an indirect interest in coal mining and a small shareholding in National Grid.

I would like to make four main points. The first is that I think our report was, if anything, a little too sanguine. The string of closures of power plants since then has left us even more exposed. The closure of Longannet, Eggborough, Ferrybridge and Ironbridge and the delay to the Trafford gas-fired station make the capacity margin even tighter this winter. As Professor Dieter Helm of Oxford University told our inquiry:

“It is a quite extraordinary state of affairs for a major industrialised economy to find itself even debating whether there is a possibility that the margins may not be sufficient in electricity to guarantee supply”.

My second point is that “the lights going out” is a red herring. The national grid has many weapons at its disposal to keep the lights on somehow. That is a misleading test of policy health. The risk of system failure, which is always present, can be kept within bounds—but by pouring consumer funds into the sector.

My third point is that rising costs are the correct index of policy success or failure, and here I am afraid the news is bad. Even leaving aside the emergency costs of bringing on diesel generators when the wind does not blow, we are paying very heavily to have a resilient electricity system because of what I would consider deliberate policy mistakes. The Office for Budget Responsibility has recently published data showing that the cost projected for the capacity mechanism, which my noble friend mentioned, will be £1.3 billion in 2020—about 10% of the total levy control framework cost in that year. As my noble friend said, it is not for new capacity but for existing capacity. We should remember that most of that is going to fossil fuel plants, which should not need subsidising at all.

So why are we subsidising them? Because we have destroyed all incentives to build new, efficient, dispatchable generators, by using the law to force unproductive, expensive renewables on the consumer. That is why nobody is building new combined cycle gas turbine plants here unless they get subsidised. We should remember that those subsidies do not come from general taxation. They are added to electricity bills so they hit the poor hardest. As Rupert Darwall of the Centre for Policy Studies told our inquiry,

“if you subsidise high-fixed-cost, zero-marginal-cost intermittent electricity generation, you will end up destroying the market and incentives to invest in the capacity to keep the lights on when the wind is not blowing and the sun is not shining. That outcome was wholly predictable but wholly unanticipated by policymakers”.

Can my noble friend the Minister assure us that the study currently being carried out by Frontier Economics into whole-system impacts of electricity generation technologies will take this into account—how much has wind prevented new gas being built and at what cost?

We have spent £14 billion so far subsidising renewable electricity. The cost is rising rapidly and will soon hit roughly £10 billion a year and stay that way for decades. What are we getting for that money? A less reliable electricity system, a big increase in cost and no

discernible cuts in CO₂ emissions, because of the need for back-up, the failure to allow gas to replace coal, and the leakage of energy-intensive industries to other countries with the loss of jobs here. I do not think that is a trilemma: it is a trisaster.

My fourth point is that interconnectors, while clearly a good thing, are in many ways irrelevant to the resilience debate, for two reasons. First, the current ones from France and the Netherlands are running one way—into the UK—at near-full capacity most of the time anyway, so they are no use for extra electricity in times of emergency. Secondly, they are not much use in managing the variability of large renewable fleets because, as John Constable of the Renewable Energy Foundation pointed out to us, wind speeds are well correlated across Europe: a calm day here is usually a calm day in Germany. At 3 pm today, for instance, I looked up how much electricity was coming from wind in this country and in Germany: 1.4% in this country and less than 1% in Germany.

Where do the four points that I have raised leave us? It is now clear that instead of building windmills in the North Sea, whose electricity will cost three times the wholesale price, we should have been using cheap gas to phase out coal and putting more money into R&D designed to bring down the price of nuclear power. What Professor Helm called the “Miliband-Huhne-Davey policy” was based on the assumption that fossil fuel prices would go up. Instead, they went down.

In the spreadsheet released last year by Department of Energy and Climate Change, in the low fossil fuel price scenario, the cost of renewable subsidies for small and medium-sized businesses would add 77% to their electricity bills by 2020. Even in the high fossil fuel price scenario, the impact is still an increase of 45%. In other words, even if fossil fuel prices go sky high, the policies do not in fact offer any significant protection.

Every part of the world is increasing gas consumption at the moment except one: Europe. All the others—North America, South America, Africa, Asia, the Middle East, the former Soviet Union—are all increasing their use of gas, often to displace coal, as a response to the falling price of gas thanks to the shale gas revolution. Europe is doing the opposite. The Competition and Markets Authority has reported since our report that the renewables target is more of a constraint than the carbon budget; that is, there are cheaper ways of meeting our carbon targets.

I feel that we have the worst of all worlds: a system that has the high finance costs of the private sector but where all decision-making is nationalised; a system that has all the costs of renewable energy but trivial emissions reductions; a system that depends on regressive subsidy for even the cheapest and most reliable power; a system whose high cost is driving employers abroad; and a system with such low margins that costs will spike in the months ahead. I think there is a lot of work on my noble friend the Minister’s plate.

6.09 pm

Lord Teverson (LD): My Lords, I am not a member of the committee but I am pleased to take part in the debate about this important subject. I would say one

thing about the logic of the noble Viscount, Lord Ridley, on wind-power renewables not reducing carbon. He said that it was because there has to be an equal amount of back-up, but that logic does not work. Even if you need that amount of back-up, if it is not operating then it is not producing carbon. I do not understand the logic there. With the existing regime, even without renewables, the utilisation of generating capacity is, on average, about 50%. It is estimated by National Grid—these are not my figures—that intermittency with renewables becomes a real problem only when they are at about 20% of total generation, so I am not sure whether all that really adds up. However, I agree with the noble Viscount that we should absolutely be taking out coal. I am glad that he agrees with these Benches on that. We should also be getting on and substituting gas in the short term. He was absolutely right about that, too.

I want to concentrate on a couple of things in an excellent report, which is a good reference and has a number of important issues in it. I particularly like the space it gives to the demand side. As the noble Earl said so well, energy efficiency effectively solves the energy trilemma. It helps security, brings down bill costs—even if not necessarily the unit price—and decarbonises the economy. There has always been frustration for all Governments in how to turn that benefit and make that leap, without causing all sorts of unaffordably large public expenditure. Unfortunately, the Green Deal was not very successful in the coalition Government period. It is unfortunate that it seems to have disappeared altogether rather than being improved, which is what was needed. I hope we can move forward in some way in that area.

Demand reduction is key and the UK economy has been quite good at that in recent years, increasing energy efficiency by some 2% or 3% per annum, but the other part of demand is demand-side management. Again, the report tackles that subject, which has been very unfashionable. It has often been forgotten about and is only starting to be considered. In that context, the report specifically mentions capacity payments, which are particularly important. What has effectively happened is that the aggregation of demand-side management, which should really be competing with generation under the capacity payment, has been discriminated against. I remember from the coalition Government years that there were all sorts of issues in DECC about getting the two to compete properly that were legally quite difficult. I do not know but it certainly seems that it should be a priority of government to make sure that demand-side aggregation and management plays an equal part to that of capacity in the capacity mechanism.

The noble Earl was also right to say that most of the existing capacity mechanism has brought in fossil fuels, which is unfortunate. But demand-side management aggregation on the capacity mechanism would make absolutely sure that we do not build extra capacity. We actually need less and should solve it in that way, by taking out the peaks.

I also wanted specifically to mention interconnectors, which is an important area but has been relatively sleepy over the past few years. DECC may have got

[LORD TEVERSON]

involved in this again in the last couple of years, so we now have interconnectors with Ireland, the Netherlands and France. We have opportunities, perhaps, for geothermal to come in from Iceland; that may be rather a big ask but I know we have a memorandum of understanding with the Icelandic Government. I would be interested to hear from the Minister where interconnector policy is going. That would not only seem to take out the peaks but has export potential for us as well. We should very much welcome it.

My last point on this excellent report concerns storage. As renewables grow and intermittency becomes a problem, energy storage will be part of the solution. There seems to be a frustratingly slow evolution of efficiency in energy storage. We have run out of capacity in dams and water, and all that side of energy storage. The Tesla corporation seems to be making good progress in the commercial field but I would be interested to hear from the Minister what investment the Government are stimulating in R&D at present. There is clearly a worldwide demand for this, especially in the UK. I commend the report fully and look forward to the Minister's reply.

6.15 pm

Lord Hennessy of Nympsfield (CB): My Lords, I declare my membership of your Lordships' Science and Technology Committee and thank our chairman, the noble Earl, Lord Selborne, for his skill in guiding us over some complicated and, for some of us non-scientists, rather stretching terrain.

Among the gifts that we like to think we possess as a people, there is a special cluster on which we pride ourselves: strategic thinking, horizon-scanning and forward planning. The subject before us, I regret to say, does not sit easily within this pleasing self-image for when it comes to the divine spark of electricity, we all too often believe "It'll Be Alright on the Night". We are an all-right-on-the-night nation in so many areas, including this one. Our optimism is sometimes burnished by our belief that just over the horizon lies a technological and scientific breakthrough that will match cheapness with abundance, leading to a bright, well-lit future that takes care of itself for generation upon generation, while avoiding harming the planet as a bonus. I am of course talking about nuclear fusion, which I remember reading about as a boy in the late 1950s.

In January 1958, science and energy journalists were invited to Harwell to be briefed on Project ZETA, the Atomic Energy Authority's nuclear fusion experiment. They were enthused—they really were—and news of it fired up the national newspapers and straddled the globe. The Prime Minister, Mr Harold Macmillan, was on a Commonwealth tour at the time and when he reached New Zealand its prime minister, Walter Nash, asked Macmillan how ZETA worked—a testing question for a classical scholar. As the British high commissioner, Sir George Mallaby, recorded:

"Well", said Mr McMillan, looking vaguely about him, "You just take sea water and turn it into power".

He paused for effect before adding:

"We are pretty good at sea water".

We are still waiting for the promise of fusion to be fulfilled. Some experts think it might now be a mere decade away; others reckon that another 40 years should do it. All the rest of us can do is live in hope that the shining hour will come.

This evening I should like to concentrate, first, on the need for a consensual, long-term strategy for electricity supply, as outlined so well by our chairman. I am pleased that this will be central to the work of the new National Infrastructure Commission, for which I generally have high hopes. Secondly, I should like to anticipate briefly the array of threats that we may face as an advanced society, ever-more dependent on an uninterrupted supply of electricity.

There are certain thresholds that a country cannot afford to reach, let alone to cross. Electricity supply is one of them. As the committee's report notes, last winter:

"National Grid procured extra capacity to raise the capacity margin from 4.1% to 6.1%",

to,

"guard against a potential shortage of electricity".

The committee stressed that it was,

"a matter for concern ... that this extra capacity was put in place at short notice, at considerable cost, and in a way which conflicts with the decarbonisation agenda".

The report goes on:

"This should not be allowed to happen again; it is not acceptable for an advanced economy, hugely dependent on electricity, to sail so close to the wind".

As the noble Earl, Lord Selborne, emphasised, the committee also noted that but for the economic slowdown which followed the financial crash of 2008,

"capacity margins would have been much tighter".

I must confess that it is a mystery to me why this question has lacked the bite it deserves in the Cabinet and across Cabinet Committee rooms over several Governments. In political terms, there are few surer or swifter sappers of public confidence in a Government than serious interruptions to electricity supply, as those of us who lived through the 1970s winters of discontent remember all too vividly.

In its own way, security of power supply is a first-order element in the defence of the realm. Indeed, given our justified anxieties about the nature and scope of future cyberattacks, it will rise higher still up the hierarchy in the risk register. Already, we are facing between 150 and 200 serious cyberattacks on government and business every month. Those wishing us serious, widespread and swift harm in the future will go for the electricity grid first. Our ever-greater reliance on the internet and on the coming internet of things will no doubt bring great and accumulating economic advantage, and improve personal consumption and comfort, but the risks will rise too.

I am a natural consensualist but not, I hope, an indiscriminate one. I am convinced that a sure and safe electricity supply is an area where consensus is justifiable and desirable. By all means let us have our arguments about the ingredients of our energy mix, and the respective roles of the state and private suppliers, but the evidence presented to the committee during its inquiry demonstrated a near-universal belief that electricity

supply is, and must remain, a managed market in the United Kingdom. Muddling through, however smartly, is not enough. The problem we are dealing with today requires an enduring national effort, ranging from sustained political attention to large-scale investment, energetic R&D on the possibilities of electricity storage, the development of interconnectors with our neighbours, as other noble Lords have mentioned, and as many cyberdefences as our scientists and technologists can provide.

Short of a devastating solar event—which we considered, for reasons of completeness, I am sure—about which we could do very little, remedies are very much in our own hands. Let us seize them and avoid our becoming an outage society. If in future we go into the dark, our people will be unforgiving, and they will be right to be so.

Lord Teverson: My Lords, just before the right reverend Prelate speaks, I want to apologise to the House. I think I referred to “the noble Earl” when I meant the noble Viscount, Lord Ridley, when I addressed the House. I apologise for getting my titles wrong.

6.21 pm

The Lord Bishop of Sheffield: My Lords, along with many others, I warmly welcome this report and its principal recommendations. It seems to me to be clear and timely, and the issues it highlights for the United Kingdom in the medium term are very significant indeed. I particularly welcome, along with others, the recognition that the electricity market is now a managed market. I underline the statement in paragraph 37:

“Balancing security of supply, sustainability and affordability (the trilemma) is a first order issue for the Secretary of State”.

I will focus my remarks on two specific areas. The first is to highlight the importance of the needs of industry and manufacturing when looking at our future energy needs. It seems to me that this area is not addressed in sufficient depth in this otherwise excellent report. The future forecasts of energy consumption are largely focused on the demands of domestic consumers. The report focuses on the rise in the use of electric cars and heat pumps, and on the demand for more air conditioning—rightly so. But there is very little if anything about research into the future energy needs of the manufacturing sector, which is so critical to a rebalanced economy, particularly in the north of England.

Your Lordships will be all too familiar with the crisis facing the British steel industry. I made a visit in October, a few weeks ago, to Tata’s Speciality Steels in Stocksbridge, near Sheffield. I saw at first hand the process of rolling the steel made from recycled scrap metal into immense 60 or 80-metre bars for use in parts for the aerospace, energy and car industries. The future supply and price of energy is vital to the future of the steel industry and of engineering in this country. In 1970, the industrial sector was responsible for 40% of final UK energy consumption. By 1990, this had fallen to 24%, and by 2014 to 17%. But manufacturing remains a vital part of our economy. Competitively priced electricity is essential.

Conversations with the senior team in Stocksbridge during my visit focused on future energy pricing and supply. The British steel industry currently pays much

more for its energy than its competitors in Germany and the rest of Europe. The playing field is not level. According to Luis Sanz, managing director of Celsa, quoted in the *Financial Times* on 27 October, his company faces electricity bills of €68 per megawatt hour to run its steel plant in Cardiff. A similar operation in Germany would cost about €24 per megawatt hour.

The Government have promised a full package of measures for energy-intensive industry but only once they receive clearance from the EU on state aid rules. I do not believe we can wait any longer to bring this vital help to our steel industry. We have already seen the closure or reduction of plants in Redcar and Scunthorpe, with the consequent damage to communities and to Britain’s industrial base. I urge the Government to act and bring forward this support in the Chancellor’s Autumn Statement.

The present and future pricing of electricity in the reality of a managed market is very different for domestic consumers and for industry. Our industry is competing month by month for contracts in a global market. It is vital that manufacturing continues to grow again as part of our economy. Our energy pricing must take account of the needs of industry in the leadership offered by the Secretary of State across the sector.

My second area of focus is on the need, for environmental reasons, to decarbonise electricity generation while keeping the lights on at an affordable price—the energy trilemma. The Government have made, and I hope are about to make, clear promises to the international community in the new global goals and in the forthcoming climate change talks in Paris to reduce our carbon emissions significantly. This is vital for the future of our planet and for the poorest people on the earth. The Committee for Climate Change has rightly recommended an ambitious target: that carbon intensity of power generation should be reduced from 500 grams of CO₂ per kilowatt hour to 50 grams of CO₂ per kilowatt hour by 2030. This represents an enormous transformation in our energy market over the next 13 years—a very short time. I warmly support the Government’s strong manifesto commitment to reducing the impact of climate change by reducing greenhouse gas emissions. Much in this report supports that agenda.

The report underlines the importance of honest, straightforward communication about the energy trilemma. It highlights the benefits of better long-range planning and information about the costs of energy shortfalls. It recommends the rapid rollout of smart meters and better information for Parliament and consumers. I particularly highlight, as others have done, the key recommendation at paragraph 244 on page 87 of the report:

“We recommend that the Government publishes a systematic review of the evidence available on the predicted costs of integration to 2030 and beyond, taking into account a wide range of scenarios”.

This seems to me to be a plea for a much more detailed and transparent long-term energy budget. I encourage the Minister to respond to this recommendation in particular in his response to the debate.

Managing the future of our energy supply is vital for our quality of life, our industry and our economy, and for the future ecology of our world. Along with other noble Lords, I warmly welcome this report.

6.28 pm

Lord Dixon-Smith (Con): My Lords, it is a privilege to follow the right reverend Prelate, because he reminds us, as we should not need reminding, that this industry is wholly about serving individual people. We of course are an unrepresentative bunch here, but the effects of the decisions that we can influence can be very profound for people across the whole country. I wish this evening to talk about something that we did not really get into in this particular debate.

We heard that we were able to get away with the low-reduction margin of electricity at present because the system was very diverse and, very complex, and, if there was a breakdown, it would affect only a small part of it. That meant that there was resilience, because if a small part breaks down, it is not the same as if, let us say, the new power station at Hinkley Point were to break down, because that would knock a large chunk of generating capacity offstream in one go.

One thing that we did not talk about, because it was not particularly helpful, is the amount of heat that the whole electricity-generating industry creates. It is remarkable that not least of the vital factors in running a major generating plant is how you cool it. We then produce electricity which we supply all over the country, to industry, commerce and private homes, a large proportion of which will be used to produce heat. Somehow, we have to escape from the historic trap that we are in because of the planning system. The old coal-fired generating stations, in particular, were pretty dirty places and caused a great deal of atmospheric pollution, which could affect local communities. Quite rightly, we put the generating plant as far away from people as we could.

We can now escape from that, and we need to look at the whole planning system so that we can bring our generating capacity to the very fringe of the communities it serves, if not actually within it. I hope that no one will be too surprised at this, but we used to have a wonderful generating station in Battersea. Part of the solution to the heat-generation problem was to use it to heat the houses in large parts of Battersea and a certain amount of Chelsea. We could considerably reduce overall electricity demand, I suggest, if we began to put our power, generating plant on the urban fringe or even in the urban areas on industrial sites.

There is a policy implication there that we rightly did not go into. I have no concern about the health implications of bringing, let us say, the Hinkley Point generator on to the fringe of London, although some people unquestionably might have. My view is set by the fact that a large and vital part of our Navy is now totally nuclear powered. We have men who live, apparently without any ill effect on their health or anything else, in a totally enclosed environment next to a nuclear reactor. I do not think we have a health issue if we start to bring plant such as Hinkley Point to, let us say, the fringe of London or even—although it is too late—Battersea Power Station. We would diminish the pressure for increased electricity generation at a stroke if that were to happen.

Rightly, we did not look at that during this examination, because we were looking at the way we are doing things now, but I hope that the Minister in

his reply will acknowledge that there are policy aspects to this issue that need radical reconsideration. I hope that by the time my grandsons are my age, we will have a much more effective system and they will not be looking back and saying, “Why didn’t my grandfather and his generation, who knew there was this problem, do something about it?”.

6.34 pm

Lord O’Neill of Clackmannan (Lab): My Lords, I have interests in the electricity industry, and I have declared them in the register. First, I congratulate the noble Earl on this report. He and I have served as colleagues on the committee for many years, and I was more than delighted when he assumed the chair. He has already acquitted himself with great distinction today and in the production of the report.

When we embarked on this inquiry, I do not think we anticipated that we would be debating it at such a significant time of year. About now there is usually a meteorological Cassandra forecasting the coldest winter in living memory and concluding that we are all doomed to months of freezing darkness. Although I would not want to adopt a Panglossian view of the prospect for the next few months, I think that some cautious optimism is called for, at least for 2015-16.

National Grid, the system operator, has forecast a loss of load expectation of 5.1% de-rated capacity margin, which will be met by 2.43 gigawatts of additional balancing services. At the time we were given the evidence, I could probably have explained all that to your Lordships in very simple terms, but I will not trouble the House this evening by going into great detail. Suffice it to say that a major element will be demand-side management.

When we were taking evidence, we were told, as I said, that we could be confident that in 2015-16 the lights would not go out. National Grid has a reasonably sound track record in that area. The question remains: what of subsequent winters? It is perhaps easy to say that the margins are getting ever narrower and that we should have dealt with the anticipated problem earlier. I have been participating in debates in the other place and here for nearly 40 years, and I have always heard people saying that we must have a long-term strategy.

I came into Westminster in the 1970s, when, like the welfare state, the coal industry was big. It was something that we took pride in. Within about five years, the coal industry was to be destroyed. After 1989, we embraced gas because we could start burning the gas in the North Sea to keep our houses warm. There was a major change in European policy, and we embraced gas-fired power stations at the expense of everything else. We abandoned nuclear. Then we discovered that it might be a wee bit dangerous if we were to be completely in thrall to gas, because we did not always know where it was going to come from. The somewhat hyper-enthusiasm for gas of the noble Viscount, Lord Ridley, this afternoon suggests that he has forgotten where a lot of the gas that we depend on comes from. We might not want to be overdependent on some of the sources of supply.

Nuclear was out; gas was going to be the answer. Then, people began to wake up to the fact that we were going to be shutting down our nuclear power

stations, which in those days accounted for about 25% of our power. Even if we kept just a few coal-fired power stations and imported the gas, European diktats were going to require us to start closing them down as well.

So I am very cautious when people tell us that what we need is a long-term strategy, because most long-term strategies last about seven or eight years, maximum. At the same time, if we are investing in nuclear power, it is very expensive at the beginning but has a very long life. It is therefore possible to pay it back over time. Nevertheless, it is a major expense. We know at the moment that it is very difficult to attract investors to it.

We have been looking at the closure of power stations, the reduction in our capacity quickly to replace them and, at the same time, our dependence on renewables. The dependence is on plants that are too small and, invariably, interruptible. Therefore, while we can look forward with some confidence to Hinkley, it is not quite in the fusion category, yet it is taking rather longer than we had anticipated. It is not that many years ago when we thought the Christmas turkeys of 2017 or 2018 might be being roasted with nuclear-generated electricity; it might be more realistic to talk in terms of 2027. Certainly, the French record of building nuclear power stations is none too encouraging, although one would hope that, having had two test runs in Finland and France, they might be able to make a better job of Hinkley than they have hitherto. One thing that is certain is that the electricity that will come out of Hinkley will not be cheap, because unfortunately the first-generation kit being constructed in the UK is the most expensive, and takes the longest and is the most difficult to build. Some might say that we could get new nuclear from other sources almost as quickly as we get it from Hinkley—but that is another issue.

Demand management, which is really the self-imposed reduction in demand by major consumers, is seen by National Grid as an important contributor. It will ensure that there will be no enforced blackouts in the foreseeable future, but this will have to be achieved in the context of emerging electricity markets, which are in the process of being reformed. The committee expressed concern about the quality of information on which many judgments are being made, particularly the appropriateness of the reliability standard. The Government are required by law to monitor that every five years. They would be well advised to produce annual reports to let us see what the thinking is, rather than dashing to get the information in place in the last nine months before the end of the five-year period.

As has already been said, it is not all about indigenous generated power, because we have interconnection. However, the situation is not very clear, as the information we received on back-up generation and interconnection was somewhat less than satisfactory. It would be interesting to hear from the Minister whether that information has been updated. Certainly, we would want reassurance regarding the scaremongering that often provides the headlines, fills the space between the adverts in social media and feeds the paranoia of the bedsit conspiracy theorists; we need better information to dampen those

anxieties at source. It is fair to say that we were impressed by the awareness of the appropriate authorities of the dangers of cyberattacks on the system and terrorist threats generally. There was a reassuring absence of complacency; they certainly seemed to anticipate what the bad guys would be trying to do. In that sense, we have some degree of consolation. Nevertheless, eternal vigilance is required in this area, as in so many others; we underestimate the dangers of cyberattacks and other attacks on our system.

We must be cautious. People say that we will have smart meters and better integrated grids, and that all kinds of technical possibilities will be realised, such as storage batteries, carbon capture and storage, electrical vehicles and electrification of the transport system. All those technologies will come at a cost; many are still immature and cannot really be depended on with any degree of certainty. We have to strike a somewhat cautious note, but it is a bit frustrating for Select Committees when the report has been produced and we have what we think is the most up-to-date information, yet we get very cautious responses. I draw some consolation from my experience in Select Committees, which goes back quite a while. I am reminded of what George Bernard Shaw said—that when he was 18 he was convinced that his father was one of the most ignorant men he had ever met; yet, by the time he was 21, he was surprised how much his father had learned. We often find that, within a very short time—before the dust has settled on Select Committee recommendations—civil servants, the machinery of government and eventually Ministers change their tune. It will be unfortunate if that does not happen here, because this excellent report can be ignored only for so long. We ignore it any longer at the peril of our economy and our quality of life.

Viscount Ridley: The noble Lord says that he is concerned about where the gas is going to come from, but we are more dependent on imported coal than on imported gas, in that 85% of our coal comes from abroad and 40% of it comes from Russia.

Lord O'Neill of Clackmannan: I am not sure whether I am supposed to respond to that. My point is that there are a number of uncertain sources of gas. I think we would all agree that the nature of our dependence on coal is essentially temporary. The long-term requirements of a section of our fossil fuel demand will be met by gas, which will still come from areas that will be unpredictable politically and socially, to say the least.

6.46 pm

Lord Broers (CB): My Lords, this was a rigorous inquiry, chaired with consummate skill by the noble Earl, Lord Selborne, and supported with detailed expertise by Professor Jim Watson and highly professional co-ordination by the committee staff, led by Chris Clarke. I join others in congratulating them all and declare my interest as a fellow the Royal Society and the Royal Academy of Engineering, and also the national academies of engineering of the United States, China and Australia, where I have also discussed energy.

[LORD BROERS]

I shall discuss only the committee's recommendation that:

"The Government should ensure that incentives are in place so that all new generation is built in such a way as to maximise its flexibility, whilst ensuring that the costs to consumers are minimised".

The emphasis is on flexibility, but it is really about costs. I will briefly discuss the recommendation that,

"the Government should also disseminate more comprehensive evidence on the potential costs of low carbon generation and improve communication with the public".

There has, in fact, been significant progress over the past two years in telling people what is happening. Despite what the noble Lord, Lord O'Neill, has just said, we had been in a worse situation. We now have the full set of strike prices, including that for nuclear power, and it is becoming possible to evaluate the various scenarios open to the country. This is a welcome change from the time when it seemed that no one knew what was possible, or even what was happening. For example, I recall the Government in late 2009 insisting that we would have 8 gigawatts of offshore wind capacity in the North Sea by 2011, which was clearly impossible and revealed a total lack of understanding of the challenges of that technology.

I experienced the new openness in a letter from the noble Lord, Lord Bourne, in answer to a supplementary question I asked earlier this year, and I thank the Minister for his letter and apologise for being so late in doing so. I had asked whether the capacities that he had referred to for various renewables were the gross capacities or the power actually delivered to the grid. He pointed out in his letter that they were the latter, and that the load factors used for onshore wind and solar were 24% to 32% and 9% to 11% respectively—a welcome recognition of reality. Solar PV yields 1/10th of what it says on the label.

It is clear that DECC is getting to grips with the complex and difficult energy trilemma. Five years after we were being told we would have 8 gigawatts of offshore wind in the North Sea, we are at least approaching 4 gigawatts and data are being produced that help us to estimate the real costs of offshore wind, although it will be a long time before we can assess the maintenance costs of these huge machines in the hostile environment of the North Sea. There is also some action, rather than endless talking, on new nuclear, even if, regrettably, we are not going to build it ourselves but will put it in the hands of the French and the Chinese.

Overall, we now have enough data to assess quantitatively different combinations of power generation type. Some of these have been laid out in the *Electricity Market Reform Delivery Plan*. What becomes clear, however, is that renewable energy generation is extremely expensive. The strike price for offshore wind, for example, has been set at more than three times the cost of electricity today: at £155 per kilowatt hour compared with £50 per kilowatt hour for conventional fossil fuel, which is the reference price. It is also more than 50% higher than the £92 per kilowatt hour projected for nuclear in 2023.

So the high deployment of the offshore wind scenario, in which offshore wind provides about a third of the power, shown in the EMR delivery plan would require the taxpayer to provide a subsidy amounting to two-thirds

of the present cost of electricity, which is twice the reference price for about a third of the power generated. In fact, if one relies on the data available today, the high deployment of the nuclear option would seem to provide the lowest cost for meeting our carbon targets, especially as nuclear can be used to back up the intermittent renewables as well as producing little carbon itself. However, this cost will be much higher than the cost of electricity today. The high deployment of the CCS option may emerge as attractive in the future, but there is too little evidence available at this time to evaluate it. The hope is that large cost reductions will be realised as the renewable methods are scaled up, but this is anything but certain.

It is also argued that energy bills are already coming down and that this trend can be continued, but the reductions we have seen recently have nothing to do with progress with low-carbon generation. They have resulted from other factors, and I shall mention some of them. First, there have been significant reductions in the cost of fossil fuels. DECC data show that, between the second quarter of 2013 and the second quarter of 2015, UK energy suppliers paid 20% less for natural gas, 23% less for coal and 40% less for oil—the noble Viscount has mentioned some of this already. Secondly, there is what DECC calls products policy. This is the adoption of Europe-wide standards and energy labels that have increased the efficiency of household appliances. It is a truly excellent initiative. There is also the 80% energy saving that results from the use of LEDs rather than incandescent bulbs, and the increasing use of improved insulation, even if we are not as good at that as the rest of Europe, and the ability better to monitor usage through the use of smart meters.

Realising these gains is very good news, but they are likely to be overwhelmed by the vast increases in renewable generation cost, and taxpayers are going to have to bear the burden imposed upon them when the strike prices are higher than the reference price. It is essential that we continually monitor progress across the spectrum of low-carbon energy generation and adjust the mix to minimise cost, while, of course, meeting our carbon targets. At present the data suggest that this will mean maximising the use of nuclear power despite its higher cost, so I impress upon the Minister the need for the Government to press on with nuclear, and I include the small-scale modular reactors which the noble Earl, Lord Selborne, mentioned.

Before finishing, like others I emphasise the need to increase support for R&D in energy generation and, as stated in chapter 8 of the report, ensure that the objectives of the nuclear industrial strategy recommended by NIRAB are met. I shall also look forward and join the noble Lord, Lord Hennessy, in saying a few words about fusion power. There has been and remains a lot of scepticism about fusion, but there has been recent progress in plasma fusion on three fronts. First, at ITER—the international thermonuclear experimental reactor project in the south of France, where a doughnut-shaped reactor the size of the Arc de Triomphe is being built with the aim of producing half a megawatt of net output some time in the late 2020s—there have been delays and management problems, but in September an important milestone was achieved. A billion-dollar

contract was placed to deliver the 200 kilometres of superconducting wires that will produce the magnetic field used to compress and confine the plasma and reach the temperature of 10 times that of the sun needed to produce fusion.

Secondly, here at Culham and at Princeton in the US two new tokamaks are being built to explore a new geometry for the fusion chamber. These are known as spherical tokamaks where the reactor chamber is not a torus, or doughnut, but is spherical, more like a cored apple with a single conductor down the middle. This geometry has been shown to be three times more effective in harnessing the magnetic field, and there are hopes that this may make reactors smaller than ITER feasible.

Lord Lawson of Blaby (Con): My Lords, listening to the fascinating account of developments in fusion given by the noble Lord, Lord Broers, I am brought back to 34 years ago when I was Secretary of State for Energy. All my scientific advisers assured me that fusion would be economic within 25 years at most. Is it not dangerous to engage in wishful thinking?

Lord Broers: I thank the noble Lord, Lord Lawson, for that intervention. It is dangerous to be overly optimistic, and people have accused some of the people working on the new types of reactors of overoptimism, but the promise of fusion, as the noble Lord, Lord Hennessy, said earlier in this debate, is great. I am not suggesting that we replace huge quantities of investment elsewhere with work on fusion; I am just suggesting that we continue working on it because of its very great potential. It would be criminal not to continue to pursue it, particularly as we are making advances today. I am not suggesting at this stage that it is going to be tomorrow's answer. It has always been tomorrow's technology, but sometimes tomorrow's technology comes home to roost, sometimes when we least expect it. I shall end on that optimistic note. If we could harness fusion power, we would have a lot of our problems resolved.

6.57 pm

Lord Howell of Guildford (Con): My Lords, I was not a member of this excellent committee. I declare an interest as an adviser to Mitsubishi Electric. Like others, I agree that this is an extremely valuable report. In fact, I would go further and say that it casts a much-needed beam of light on an area where in the past we have not been told the full facts or what it is going to cost us. So the report is excellent, and its message is quite appalling. That reliability of power supply should be even an issue in one of the world's leading industrial nations—the nation that founded the Industrial Revolution based on steam and power—is quite amazing and deplorable. It makes one ponder what has gone wrong and what has happened. This report helps enormously in beginning to answer that question.

Of course, the lights will stay on in the short term. That is obvious, and we are right about that. Thanks largely to the immense skills of National Grid, which is a brilliant company, and various devices, which I will come to, on the supply side and the demand side, in the short term, in the next two or three years, we

will have adequate power, even at the most difficult times, unless something really catastrophic happens. It is going to cost us; it is going to be expensive, and I will come to that, too.

Then we come to the medium-term future. The issue is the capacity margin, however you define it: the derated margin or the full-capacity margin. That is a central issue. Here I have one slight quibble with the report, although I think that the noble Earl, with his excellent chairmanship and his excellent speech, clarified this. Paragraphs 23 and 71 state that the additional capacity that would be brought forward by the capacity market is 49 gigawatts. That is true, but it does not quite tell the story, which is that in terms of new capacity the auction so far has brought forward miserably little: 2.7 gigawatts, which consists of only one single combined-cycle gas turbine, the Carlton Power one, which admittedly is quite a big one, and a lot of small capacity. The larger figure of 49 gigawatts comes not from truly additional new capacity but from existing companies in the power game crowding in and seeking to get contracts for capacity payments to add to theirs so that they can get capacity revenues on top of market revenues. That is natural; any one of us would do the same.

So that is terrific: except, as my noble friend Lord Ridley reminded us, in 2018-19 it is going to cost just under £1 billion—£956 million, to be exact—which will all be piled on to the consumer, and I think that he mentioned an even higher figure for 2020. These are enormous sums of money, and what are they buying? We are going to need at least 20 to 25 new gigawatts of capacity in the late 2010s and early 2020s to compensate for the fact that our coal stations are being closed at a great rate, thanks to the European directive for larger combustion and the fact that our nuclear fleet is ageing and some of it will have to be closed as well. So that is the scene up to 2018.

In the short term, as I said, the national grid will be able to cope. It will use all sorts of devices such as the supplemental balancing reserve, which will cost a bit, and the demand side balancing reserve, which may involve what we used to call in the old days of gas supply interruptible contracts, where a firm agrees that it could bring on its own local generation or somehow manage to do without for a time if there is a crisis—all of that, of course, at more expense. As one of the reports before us today reminds us, domestic bills have doubled since 2004. Paragraph 217 of this excellent report tells us that up to last year green policy costs had added 15% to bills; by 2020 that figure will be 27% and by 2030 the figure will be 29%. There is a case for subsidy. I am not against the idea of infant industries being encouraged, but only up to a point.

The report reminds us that the policy of the last seven or so years, at the end of the Labour Government but particularly under the coalition, which was largely under the guidance of our then friends the Liberal Democrats, went too far, too fast. Many good things emerged from the coalition but, frankly, our energy policy was not one of them. It was a bad legacy. I heard one of your Lordships say in last Thursday's debate what a wonderful success energy policy had been under the coalition, and I did not know whether

[LORD HOWELL OF GUILDFORD]

to laugh or cry. In fact, on almost every front that success has turned into a miserable failure; my noble friend Lord Ridley put it in even more graphic terms. It was of course a policy inherited from Labour, particularly from Mr Miliband when he was at the Department for Energy and Climate Change. It was called the trilemma and someone was going to solve it, but in reality it has been a complete failure on the three fronts.

What are those three fronts? The first is affordability. That has gone out of the window: we have some of the most expensive electricity in Europe. We have households having to go to fuel banks in order to get tokens to get enough money to stay warm, which is an incredible situation in this country. We had a story graphically put before us by the right reverend Prelate the Bishop of Sheffield about the impact on our steel industry, which is appalling, and where energy costs have undoubtedly played a major part. So affordability has been a failure.

The second aim was supposed to be reliability. Well, here we are, talking about reliability and security; I think that we will get through, but it has been quite a narrow margin and will continue to be.

The third front was decarbonisation. There are different views on this. If you look only at the production of energy, it is true that CO₂ has fallen quite dramatically, partly because of the recession and flat demand, and partly because of various measures taken. Of course, carbon does not come only from the production of energy; it comes from a huge range of sources, and carbon per head is consumed in vast quantities by imports as well as by the whole carbon leakage process that other speakers have described. This is a scene that leaves one—"sad" is the right word, but I shall say almost "depressed" that so many policy errors have been made and applauded that have led to such an appalling situation.

We have been saved for the moment by the national grid. I think that later we will be saved to some degree by the interconnectors: we should be able to get up to 5 gigawatts from interconnectors in the middle of the next decade, which will be—this will please the climate change lobby—mostly green electricity. There will be volcanic from Iceland, if we build a wire to there, and hydraulic storage from Norway, while the Danes will supply us with wind power; they have such a surplus that someone suggested that they would actually pay us to take it. We will also be saved a bit by prolonging the life of the old warhorse, AGR reactors. They can go on a little longer into the 2020s, so that is another possibility. We will be saved if the storage technology develops fast, and may be saved a bit by the development of local power of various sorts—small modular reactors and so on.

I do not know about fusion, which the noble Lord, Lord Broers, referred to. When I was Secretary of State, the late Walter Marshall came into my office to try to explain it to me. He began by saying, "It's like trying to put the sun into a bottle". That was his description and it rather left me without words. As my noble friend Lord Lawson said, it all looks very much the thing of the future, but somehow it never arrives.

For the longer term, we have to have a safe system. We cannot go on living with this constant worry about margins for the next 10 or 20 years. We need a new, less expensive and more realistic policy, frankly explained and costed. This report does a marvellous job in helping in that direction—but, my goodness, we certainly need it.

7.08 pm

Lord Harris of Haringey (Lab): My Lords, I declare an interest regarding the work that I am currently doing with the Electric Infrastructure Security Council. I congratulate the noble Earl, Lord Selborne, and the Science and Technology Committee on producing an interesting and extremely important report. The report is interesting for me because when I was very young, more than 30 years ago, I was deputy director of an organisation then called the Electricity Consumers' Council. It used to produce all sorts of papers on electricity supply questions that were no doubt deeply irritating to the noble Lord, Lord Tombs, who is not in his place today but who then led the electricity supply industry as chair of the Electricity Council. This was, of course, pre-privatisation.

One of our concerns was the financial burden borne by consumers of what then seemed like an excessive margin of overcapacity. If I recall correctly, the margin was something like 40% over maximum likely demand. The late Lord Marshall of Goring, whom the noble Lord, Lord Howell, just referred to, described that as a strategy of belt, braces and string as regards protecting the country from power outages. However, the pendulum has now swung very far the other way, with, as the report says, capacity margins of potentially 3% or 4%. It is no longer belt, braces and string but a wish and a prayer. I therefore welcome the central conclusion of the report that the Government must play a greater role in managing the electricity system. However, I will focus on one very narrow part of the report, which I would have liked to be much larger, although I am sure that the pressures on the committee made it much more difficult to do that. That is the focus on what happens if, or perhaps when, something goes seriously wrong. I am talking here not about a short-term power outage but a catastrophic failure—one that goes on for more than a short period.

Chapter 4 talks about the threats to the resilience of the electricity system. It identifies four areas: technical failures; extreme weather, including flooding; terrorism—both physical attack and cyberattack—and space weather. Not included of course is earthquake, which is fortunately a very low-probability event in the UK. Therefore, when the report talks about a variety of technical failures—the fires at Ferrybridge, Ironbridge and Didcot—and the precautionary shutdown of four nuclear reactors at Hartlepool and Heysham, these incidents all call into question the capacity margins now available. Let us consider those technical failures coupled with other things that might happen.

There is extreme weather and flooding. Christmas two years ago saw storms that resulted in 750,000 households being without power and, as the report notes, the incidence of severe weather is likely to rise as a result of climate change. Then there is threat of

physical attack—such as the IRA’s planned attack in 1996 to cut off the electricity supply to London—or cyberattack. For serious and sustained disruption to take place, clearly there would have to be multiple attacks, which we know terrorist groups have in the past envisaged or contemplated. Perhaps it may be beyond them at the moment, but one should certainly consider that possibility.

On the cyber side, as the Institution of Engineering and Technology has pointed out, the UK electricity system is heavily reliant on ICT systems, and that reliance is increasing, with more and more automated systems increasing the vulnerability. The IET also warns—I am well aware of this from the interest I have taken in security over the years—that foreign states and others have been identified as probing the systems that underpin our critical national infrastructure. Imperial College, as quoted in the report, highlighted the vulnerability of SCADA systems and the reliance on legacy unsupported software platforms. My noble friend Lord O’Neill talked about the reassuring absence of complacency in looking at these issues and recognising that these threats are real and significant. I am pleased that there is no complacency, but the very fact that there is a reassuring lack of complacency indicates that these matters must be taken very seriously, which concurs with the private discussions I have had. Let us therefore be quite clear that there would be catastrophic consequences in the event of something significant happening.

I should just mention the risk of adverse space weather or solar storms. I think the noble Lord, Lord Hennessy, suggested that this was perhaps less likely than some of the other risks. Such solar storms can generate geomagnetically-induced currents into power systems. In 1859, solar flares were so intense as to produce red, green and purple auroras all round the world. At that time it made the telegraph systems go haywire and fail catastrophically, with spark discharges that gave telegraph operators electric shocks and set telegraph paper alight. That was in 1859; our reliance on electrical systems is rather greater now than it was then. More recently, in 1989, a geomagnetic storm knocked out power in large sections of Canada. These are things that happen which could have catastrophic consequences.

The report acknowledges the importance of these threats, but what about these low-probability events which would have a very high impact? How well prepared are we as a nation to deal with them? It is a characteristic of complex integrated systems that we now have, such as the United Kingdom’s critical national infrastructure, that a combination of low-probability events coupled with those integrated systems may produce a catastrophic domino effect—a catastrophic failure—which becomes more likely rather than diminishingly rare in prospect. It might be one of the threats already discussed or a combination, or it might be some incident or issue not previously encountered. However, let us consider what might happen and how ready we would be to respond as a nation.

Most vital services have contingency plans in place to deal with power outages; most have emergency or standby generators. Usually—although not always—they

work. The reason I add that caveat is that I am well aware of the incident a few years ago when some overenthusiastic workmen cut through a cable in Victoria Street, cutting off the power to New Scotland Yard. When the Metropolitan Police said, “This isn’t going to be a problem—we have two back-up generators and, what is more, every day somebody checks that the fuel gauges are still working”. They had not taken into account that both fuel gauges were faulty, and in fact they did not have sufficient fuel. Fortunately, the Metropolitan Police has a back-up control room that is not in New Scotland Yard, and the issue was rapidly rectified.

However, even assuming that the standby generators are functional and working, they have fuel to last only 12 or, at most, 24 hours. What if the high-impact event leads to a widespread outage that lasts longer than that? What plans are in place then? How will the consequential domino effects be managed? Who, for example, will take responsibility for arranging and prioritising the distribution of emergency fuel to the standby generators? Who will have priority, and who will determine that priority? Will it be the emergency services, the hospitals, the water industry and the sewerage system, food warehouses or supermarkets? Eleven years ago, MI5 warned that Britain was four meals away from anarchy—that is just as true now as it was then. Our systems are based on the assumption that if something goes wrong, it will be rectified in most areas within 12 hours. That is not necessarily the case.

The report talks about the importance of the single emergency number, but that will not help very much because our landline telephones will not work without mains electricity and our mobiles will run out of charge. If there is no power to pump water underground, in London the pipes underneath the ground will probably collapse because in many cases they have not been repaired since the Victorian era, and without water going through them the ground pressure will cause them to collapse. Therefore, even if the power is restored, water supplies will remain disrupted. Without power, the sewerage system cannot function and, without being too graphic, the contents of the sewers are likely to solidify and will not be easily cleared. Food refrigeration cannot work without power, and supermarkets relying on just-in-time distribution will run out of stock. We are not equipped in this country to run our medical services without electrical power.

Therefore my questions to the Minister are the following. We are told in the report that the Secretary of State has been involved in exercises on these issues. For how long was it assumed in those exercises that the power would be off, and over how widespread an area? With local authorities already having made budget cuts of up to 40%, and with more to come when the CSR is published later this month, how resilient are the contingency plans for managing this sort of emergency? Do the authorities have a prioritised list of service providers that will need emergency fuel to keep their standby generators going? What arrangements are in place to distribute emergency fuel under such circumstances? How will food supplies be maintained? What steps are in place to ensure that water and sewerage systems continue to function, and how will

[LORD HARRIS OF HARINGEY]

communications be maintained to a no doubt increasingly panicked population with no power to maintain telephone systems, charge mobiles or power televisions or radios?

Individually, these threats may have low probability; each threat might be a once-in-50-years event, but any one of them could have a high, not to say devastating, impact. Our chances of avoiding all of them over the next few years are not necessarily as reassuring as one might hope. The nature and complexity of integrated systems and an increasingly power-reliant and ICT-reliant world mean that we ultimately depend on those services and that we are all the more vulnerable.

The report warns us that the Government must play a bigger role in managing the electricity system, given the narrowing of capacity margins. Can we be reassured also that the Government are actively preparing for the handling of a significant outage that turns out to stretch beyond 24 hours?

7.20 pm

Lord Rees of Ludlow (CB): My Lords, it was a privilege to serve under the noble Earl, Lord Selborne, in preparing this report, which highlights the narrowing gap between supply and potential demand. Further decommissionings in the last few months have surely sharpened these concerns.

We talk about keeping the lights on, but if there is a power cut, the blackout of lights is by no means the worst downside. IT systems, the infrastructure of cities, the habitability of high buildings all depend on electric power. Rather than multiplying the number of emergency diesel generators, at great expense and no little environmental damage, it is surely prudent to prioritise an enhanced safety margin in our primary generating capacity.

Moreover, although National Grid's methodology is careful and transparent, it underweights the most devastating risks, about which the noble Lord, Lord Harris, has just been curdling our blood. When crises arise, there can be a knock-on effect, where a malfunction, either mechanical or cyber, cascades through the system. The Cambridge Judge Business School, in collaboration with Lloyds, recently explored a hypothetical scenario of this kind in the eastern United States, claiming that economic damage could run into hundreds of billions of dollars. So I think we should be prepared to pay a higher insurance premium, as it were. This clearly requires a change in the regulations and incentives to ensure that fossil fuel stations are not decommissioned prematurely.

The downside of gaining this extra security would, of course, be to raise our CO₂ emissions in the short run. Indeed, the most plausible projections towards 2050 envisage continued substantial dependence on gas-powered stations, but the hope, of course, has been to fit them with carbon capture and storage—CCS. However, the construction of CCS demonstration plants worldwide, especially in the UK, is lagging compared to what we had envisaged five years ago. Even if a demonstration project works, can we be optimistic that the technical, legal and environmental hurdles will be surmounted on a scale that allows widespread deployment, even by 2050? I wouldn't bet on it.

If we are serious about achieving 80% reductions in CO₂ emissions by 2050, as mandated by the Climate Change Act, then diminishing optimism about CCS means that nuclear power must be a bigger part of the mix. Indeed, DECC projections indicate that 30 or 40 gigawatts of nuclear power may be required—far more than current plans envisage.

According to recent statements from EDF, the operators of Hinkley, it should be on stream by the end of 2023, but few consider this credible. There may be legal challenges within the EU to be dealt with first; it might in any case be prudent to wait until at least one of the comparable EPRs now under construction, in France and Finland, have been completed. They are both famously billions over budget and years behind schedule. Realistically, Hinkley cannot be on stream before 2025, and if it suffers even a fraction of the delays of its two precursors, this date could slip towards 2030. It is not clear whether the lifetimes of existing power stations can be extended that long, nor that Bradwell could be constructed by then. Even if we are optimistic about the growth of renewables, nuclear cannot provide all the balance so there will be a gap that would surely have to be met by gas, without CCS.

Let us look further ahead. Decisions we make today will resonate well beyond 2050 and on that longer timescale there are prospects, even in the nuclear arena, that could lead to more economical and flexible baseload generators. There is no other high-tech area where one would be satisfied with 30 year-old designs. This was emphasised in a short debate last month initiated by the noble Viscount, Lord Ridley.

Can we seize these opportunities? In an earlier report in 2011, the Science and Technology Committee discussed the nuclear industry, revealing a depressing picture. We have lost expertise in fields where the UK was once a world leader. That is why new nuclear reactors will be state-owned, but by the French or Chinese state and not by us. That is why we do not have the indigenous expertise to be major players in the development of fourth generation nuclear reactors.

We should surely aspire to spearhead some of the developments, especially when we are budgeting £80 billion over the next few decades to decommission Sellafield's dreadful legacy of nuclear waste. From that perspective, it is anomalous that the National Nuclear Laboratory cannot spend more than the current few tens of millions per year on R&D.

Looking beyond 2050, there are exciting prospects for renewables. Although wind, tides, geothermal and bio have contributions to make, my prime long-term bet would be Europe-wide large-scale solar energy generation. We would need DC grids, which are transcontinental, carrying solar energy from north Africa and Spain to the less sunny northern Europe, and east-west to smooth peak demand over different time zones.

Moreover, if solar or, indeed, wind is to become a dominant source of energy, it must be capable of being stored, and supplied when and where it is needed. There is already a big worldwide investment in improving batteries. An exciting potential breakthrough in lithium air batteries was intimated just last week in an important paper from Professor Clare Grey and her Cambridge

colleagues. There are also other possibilities, including thermal storage, capacitors, compressed air, fuel pumps, flywheels, molten salt, pumped hydro and hydrogen.

This is an arena where public and commercial efforts need to mesh together. The forthcoming Paris conference offers an opportunity to encourage nations to expand and co-ordinate their publicly funded R&D into clean energy, especially solar power, storage techniques and the design of smart grids. I would add fourth generation fission and, indeed, fusion into the mix. At the moment, only 2% of publicly funded R&D is in clean energy. Why should energy research not be comparable to spending on medical or defence research, higher than it now is?

This welcome and timely debate has focused on the short-term resilience of the electricity on which our lives depend. It is a wake-up call, a reminder that we need a long planning horizon. Our present anxieties are a legacy of decisions dating back decades. Likewise, decisions made today will resonate to 2050 and beyond, so let us hope that we get them right.

7.28 pm

Baroness Worthington (Lab): My Lords, it is a pleasure to speak in this debate. I thank the noble Earl for his excellent chairmanship of the committee which prepared the report. I also thank the committee members, many of whom have spoken today, and the committee staff, who worked incredibly diligently to prepare an excellent report.

This has been a characteristically deep and wide debate on a topic of particular significance. As has been said, the timing of the debate comes when we expect to see from the media the characteristic response that the lights are going out and woe is upon us. Perhaps this report has helped to calm some nerves and to demonstrate that, although there are issues in front of us in the short term, we have a resilient electricity system. That is the overriding point that I take away from the report. However, there are some challenges, some of which have been raised today.

I start by referring to my noble friend Lord Harris and the noble Lord, Lord Rees, who expertly drew our attention to the fact that we should not be complacent. Rare events which might have catastrophic impacts should be part of our planning, and we need to bear them in mind as we also try to grapple with the more mundane issues of maintaining a resilient system, keeping the lights on and maintaining the power supply to our essential services in a day-to-day sense. I am grateful that those perspectives have been highlighted this evening.

A number of noble Lords talked about the trilemma. The noble Viscount, Lord Ridley, coined a new, delightful phrase: “the trisaster”. Energy policy is complex and there are always competing tensions, and it is definitely necessary for Governments of any colour or description to produce clarity and clear strategies. A number of noble Lords, including the noble Earl who began this debate so expertly, referenced the fact that we seem to lack a long-term strategy at the moment. I hope that everybody will agree that we are waiting for the Government to produce a document that sets out a new approach to a long-term energy strategy. I believe

that there has been a shift since the coalition Government and we now need to see a restatement from the Government. We look forward to that. I suspect that we will hear it in the autumn. Perhaps it will coincide with the comprehensive spending review or another such convenient juncture at which the Government can clarify their position.

A number of noble Lords touched on different technologies. In particular, this evening we had quite a detailed debate about the role of nuclear, which is often the case when we debate this issue in this House. Clearly, there is more that the Government could do in setting out their strategy beyond the immediate concern of trying to get Hinkley off the ground. There needs to be a much more comprehensive look at the role that nuclear can play in providing resilience. There may well be a much scaled-down version of nuclear that helps to replace, in more bite-sized chunks, capacity that is being lost. By that, I mean that we will be losing Magnoxes and will eventually lose the AGRs. Those could be replaced by similarly scaled capacity, rather than the huge 3.X gigawatt projects that we seem to be struggling to get away on time. We also need to look at the slightly medium-scale and smaller-scale options for nuclear—a point raised by a number of noble Lords.

Whenever we talk about the resilience of our electricity system, we should look not only at supply; we must also look at the demand side, as has been raised by a number of noble Lords. I thought that the report was excellent in highlighting that the demand curve has changed. It is now in decline, and that is not simply as a result of the recent financial crisis and recession. It looks as though our demand for electricity peaked in around 2005 and it has been coming down steadily since then. The right reverend Prelate the Bishop of Sheffield highlighted one aspect of this—our continued deindustrialisation, which has obviously been picking up pace, or at least has hit the headlines, in recent weeks, but it is not a new phenomenon; we have been seeing the loss of industrial capacity over decades. That has been one contributing factor.

On the more positive side, we have seen big advances in energy efficiency and demand reduction. Some of that has come about as a result of policy; some of it has come about simply through technological improvements. One of the most notable successes that we have seen has been the revolution in lighting in recent years. The use of LED lighting for street lights and all over the place has happened almost invisibly, almost without government involvement. In response to energy pricing and the availability of new technology, we have seen a significant shift in demand, and those sorts of advances are likely to continue. The same can be said for flat-screen televisions and computer screens. There has been an awful lot of change, including in refrigeration motors. I could continue with the list of areas where we have seen progress in the more efficient use of energy, which has helped to soften the demand curve.

That has been both a blessing and a curse. It has certainly helped to make sure that the margins are not tighter than they would otherwise have been. However, it also makes investors rather lack confidence. It is quite

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easy to build into a market where the demand is growing. Where demand is shrinking, it starts to look a little harder to justify the spending of billions of capital. That is the nub of our problem at the moment. We have recognised that we have a low-carbon agenda which is delivering capacity, but fast deployment in that category is intermittent or varying and therefore is not providing firm power. The slower versions—CCS and nuclear—will eventually help us but we have no confidence that they will be available in the near term. As a result, we have a low-carbon agenda which is certainly helping to build capacity but it will not be firm capacity unless we ramp up our use of energy from waste, which of course is firm and classed as a renewable.

We have had another intervention—the capacity mechanism. I hope that noble Lords will forgive me if I dwell on this because it is a crucial issue and was referenced by the noble Earl. We have a capacity mechanism that is currently in conflict with our low-carbon agenda. The right reverend Prelate the Bishop of Sheffield also mentioned this, as did others. It is a curiosity that we have this mechanism, which was intended to bring forward investment in new gas generation. If the Treasury's or DECC's gas strategy is to be believed, this was the policy that was going to bring forward investment in replacement capacity for our CCGTs, which are both efficient and relatively clean compared with our ageing coal fleet. However, the first capacity market auction did not deliver anything like what we expected.

The noble Lord, Lord Howell, and others referenced the fact that we are not seeing the volumes of new capacity in the capacity market that we might have expected. That is despite the fact that a 15-year contract was made available to encourage such investment. The problem is that, in addition to the 15-year contract, one-year and three-year capacity market contracts were given for existing capacity. Of course, if you had existing capacity, your capital costs would have been amortised decades ago and you could bid in at very low prices, and those in that position have taken the lion's share of the capacity auction contracts. Of the £11 that DECC's capacity market is expected to add to the average consumer bill, just 53p has been spent on new infrastructure and £7.50 will go to the big six for their existing capacity. When we need to see new capacity being built, you have to ask whether this policy is calibrated in the wrong way. This has been an ongoing discussion and we have certainly raised the perverse effect that it has had in making old coal stations last potentially longer than need be the case, giving coal an advantage over gas. In a market where there are already problems with the relative prices of coal and gas, is that sensible?

I turn to the latest problem that seems to have emerged in the capacity market. Page 3 of tomorrow's *FT* carries a story about the rather odd fact that we are now funding distributed diesel generators, a huge number of which will be relied on to keep the lights on under certain circumstances. We raised this at the Report stage of the Energy Bill and the Minister was kind enough to acknowledge it. He knows that there is an issue but, as yet, we do not seem to have had a

response. Given that no carbon price is paid by these diesel generators, that they have almost no air-quality restrictions and that they were going to be subject to tax breaks, one can see why the market has flooded into this new loophole. In the first auction, we saw 2 gigawatts of small-scale generators coming forward—around 700 megawatts was successful; in this auction, which is scheduled for this December, the number has risen to 3 gigawatts pre-qualifying, half of which we think are diesel. We can only speculate as to how many of those will be successful.

In the context of the UK not being compliant with our air quality standards and of the VW scandal, which has highlighted the damaging effect that diesel has on our human health, is it sensible that our capacity market should be about to flood our electricity market with a whole host of distributed diesel generators? It does not feel like the energy policy of a modern, industrial, rich country; it feels as if we are looking at a policy that you might deploy in a developing country such as India or even an island state. We can do better than this. I think that it was the noble Lord, Lord Hennessy, who said that we seemed to be muddling through. I could not agree more. In this case, we are muddling through, relying on a quasi-market system that is delivering the worst of all answers—which is distributed diesel—to keep the lights on. The Government must act on this. The *FT* article quotes Tim Emrich, the CEO of UK Power Reserve, as saying that the only answer is to pause this year's auction. Will the Minister respond to this? What is the Government's plan? How will we prevent the opportunity cost of having a capacity market that simply delivers us massive amounts of distributed diesel as the answer to our capacity problems, when it should deliver sound investment in future-proofed, firm, low-carbon power? That is what we would expect the capacity mechanism to deliver. I look forward to the Minister's response.

It was the noble Lord, Lord O'Neill, who pinpointed with most clarity the blackouts problem. We have this cycle of debate that takes place in the media. Often, it is filled with rather more sound and fury and not too much sense or fact. What the report and this debate have shown is that, when we look at the facts and present them properly, it brings a lot of light to the subject. I wonder whether the time has come for us to consider whether we need a permanent body of people to oversee energy security questions. When we look at the trilemma or trisaster or whatever one wants to call it, we see the climate change element taken care of by and large through the Committee on Climate Change, which does an excellent job of taking into account a whole host of factors and making recommendations about the pace and nature of our decarbonisation efforts. When it comes to costs, we have Ofgem, which perhaps does not have the teeth that it should have but is certainly set up to protect consumers. That is a price regulator; it is a very clear role. But who is responsible for that security of supply? It is often a ball that gets passed between National Grid, Ofgem, DECC and assorted other people, including now noble Lords, who have done a valiant job in trying to bring some sense to this question. However, the committee will move on to other topics, and that three-way tug of

war between DECC, National Grid and Ofgem may just continue, with the media throwing in their own interpretation of the facts.

Is it not time that the Government got a grip and created some body of experts that could oversee this issue? We know that a body of experts was recruited to help DECC with the Energy Act 2013 and presumably they still exist. What has happened to them? Are we going back to them to ask for progress reports on how things have turned out since the passing of that Act? A number of noble Lords from all sides of the House have raised concerns that the EMR may not be delivering as expected for various reasons, the change of Government also having had an impact on that. We need to continue to create important frameworks that can help government to navigate this issue of how to make energy affordable, reliable and low-carbon. It is that security-of-supply aspect that lacks an overseeing body at the moment.

I shall not detain the House any further. It has been an excellent debate. The report is incredibly illuminating, thoughtful and well written. We need more of this sort of analysis and I do not think that the committee can be relied on to do it. It is incumbent on the Government to set out their long-term strategy and, within that, to tell us how they propose to manage this situation going forward.

7.44 pm

The Parliamentary Under-Secretary of State, Department of Energy and Climate Change and Wales Office (Lord Bourne of Aberystwyth) (Con): My Lords, I thank the noble Earl, Lord Selborne, for this important discussion, for the excellent way in which he has obviously chaired the committee and for the report. I also thank noble Lords for their contributions to this first-class debate—it has been a debate of extraordinarily high quality.

I start by saying how much I agreed with the comments of my noble friend Lord Howell about the excellence of the national grid. My first ministerial visit was to National Grid at Wokingham to see the excellent work that it is doing, which is really reassuring.

There is no silver bullet. If one thing has been clear in this debate, it is that there is no single source of energy to solve the trilemma. If there were, I am sure that somebody would have come forward with it by now and we would not be debating these issues. It is a very complex matter.

Just to illustrate the point, the right reverend Prelate the Bishop of Sheffield—with whom I remember sharing an introduction day; we came in at the same time—in an extraordinarily profound and well-thought-out contribution talked about the importance of the Paris COP negotiations at the end of the year. Indeed, they are important, they are vital and we are playing a leading part in them. That negotiation is centred on decarbonisation.

The right reverend Prelate spoke also, quite rightly, about the need to do something for the steel industry, which we are doing. What we are doing is what we are being pressed to do by people of all political persuasions and none, which is to provide some sort of subsidy, payment or compensation in relation to carbon emissions. Nothing could better illustrate the nature of the problems

that we have to address as a Government, as a country and as a department. They are unchanging, whoever that Government are.

I will not ramp up this debate by making it a party-political knock-out issue. I share many of the views put forward by the noble Baroness, Lady Worthington, which I think she knows, and I think that there is broad agreement in this House about many issues. I regret that that is not the case in the Commons. If we are able to get to a position where it is, we will benefit from it. I think that is a view broadly shared.

The committee's report was a wide-ranging and important contribution to this vital debate. I will try to touch on a few of the main themes discussed, picking up points made by noble Lords, and then I will go back and perhaps pick up one or two points that are broader than the committee's report.

It has been rightly identified that we are wedded as a Government—again, there is a consensus on this—to the trilemma to ensure security of supply. I share the view put forward, for example, by the noble Lord, Lord Hennessy, and my noble friend Lord Howell and all others that this is central. We have recently published the *Statutory Security of Supply Report 2015* to Parliament.

Secondly, we are determined to ensure that energy is sustainable. The Government have recently responded to the Committee on Climate Change's annual progress report on meeting the carbon budgets. I would mention the key role that we are playing in the climate negotiations: my right honourable friend Amber Rudd has played a leading part on the finance and the Prime Minister has made a powerful statement about the Government's commitment to helping developing states. That, too, has been widely welcomed, and I know that it has from speaking to representatives of other countries.

Thirdly—these are not in any significant order; they are the trilemma in whatever order we address them—there is the issue of affordability. Many people, including my noble friend Lord Ridley, have stressed the importance of this and quite rightly so, because this is central: we have to ensure that electricity is affordable for consumers, both for domestic consumers and for industry. Points were made about the position in Germany in relation to the steel industry. It is true that electricity prices are cheaper for industry, but domestic bills are far higher, so again there is no silver bullet in this.

Perhaps I may say something about the Government's report to Parliament *Statutory Security of Supply Report 2015*. This fulfils our statutory duty and obligations, and we take this very seriously. I thank the noble Lord, Lord O'Neill, for much of what he said about nuclear and the consensus, but I disagree with him when he suggests that this report, as far as the Government are concerned, is ignorable and being ignored. Let me reassure noble Lords that that is not the case. The department takes the report very seriously, and rightly so. At the same time as our report was made to Parliament, National Grid published its winter outlook, setting out its view of the electricity and gas supply and demand situation for the winter ahead. It shows a margin of 5.1%, which is well within the Government's reliability standard and gives us confidence that there

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is enough spare capacity to meet demand even in tough system conditions such as cold weather. We are confident that the capacity margin is manageable this winter and we have the right tools in place to address the immediate future.

Points were rightly made in the debate about the long-term future, and this relates to the vision behind the energy policy of the Government that many people have talked about. I think that we have made some things very clear, and no doubt other points will be made clearer this autumn. As the noble Baroness, Lady Worthington, suggested, we are in the middle of a spending review. Some things are clear, one of which is the importance of nuclear. We have made headway with Hinkley Point, we are making headway with Sizewell, and after that comes Bradwell, although that is in its early stages at the moment. It is not limited to that type of reactor because we are also bringing on Wylfa B.

Mention has been made of small modular reactors, and many noble Lords who took part in the recent debate on nuclear power will recall the issue coming up then. I responded by saying that there is going to be a progress report on it in March of next year. I will make sure that the letter I wrote to noble Lords on that occasion is also sent to those who have participated in this debate because there is a read-across, certainly on the nuclear issue and possibly on one or two other things that were touched upon in that debate as well.

I shall move on to say something about the capacity market. I may possibly disappoint the noble Baroness when I say that it would not be responsible to cancel or defer the capacity market auction this winter. Although she did not ask for the latter, there is the demand-side response option which comes in in January of next year. We have a trilemma, and if we were to do that, I think it would prejudice things. I have to say that that will not be happening. We believe that the capacity market is the right tool for incentivising long-term investment and we need to deliver security of electricity supply. There is an issue that the noble Baroness has touched upon. I rightly acknowledge that and we are looking at it. This was also touched upon by my noble friend Lord Howell. We have to refine the capacity market and see how we can deliver capacity while ensuring that it is new capacity and that it is not from diesel and so on. I accept that these are things that we will have to address, but at the moment there is no evidence to suggest that it is going to be purely or substantially diesel.

Baroness Worthington: I understand that it will not all be diesel, but my point is that each successive auction diminishes the pot for future auctions because we sign 15-year contracts. Once those 15-year contracts are signed, they cannot be repealed or changed; they are simply granted. Every time we build a diesel generator, we are not building something that could be cleaner, more sustainable and more efficient.

Lord Bourne of Aberystwyth: That is a point well made, as I have indicated, but I do not think the right answer is to cancel the auction for this winter. I hope that the noble Baroness will accept that that would not be the right approach at all.

Baroness Worthington: But there needs to be a response because this is a loophole that is being exploited. It started last year and it is now building up into a worse problem. As I understand it, the Secretary of State has quite significant powers under the electricity market reform to shape that auction. Now that this has come to light, what are the Government going to do about it? Are they simply going to let things go on as they are now, which will see 15-year contracts granted to large numbers of diesel generators?

Lord Bourne of Aberystwyth: As I have indicated to the noble Baroness, what I will not do is make policy on the hoof and I certainly will not recommend that we cancel the auctions this winter. But as I say, it is an issue that we will look at.

Let me move on to say something about the reliability standard, which was mentioned by the noble Lord, Lord O'Neill, among others. The committee recommended further research into the true costs of electricity shortfalls to set the reliability standard. We agree entirely that an understanding of the costs of shortfalls is crucial to an assessment of the measures taken to prevent them. They are difficult to assess given that, I am pleased to say, there is a lack of much historic evidence domestically in relation to this issue because we have not had shortfalls. In 2013, a comprehensive study was jointly commissioned by Ofgem and DECC that resulted in the current figure of £17,000 per megawatt hour, which we use for the purposes of our reliability standard. The research looked at the position overseas in a thoroughgoing and exhaustive exercise, and it was as evidence based as possible. We are working with National Grid and the independent panel of technical experts to investigate further the costs of dealing with electricity shortfalls, and we will take action accordingly.

Let me say something about resilience. The major contributor on this issue was the noble Lord, Lord Harris, who spoke with some passion, and spine-chilling it was, too. In preparing for this debate and looking at the issue more broadly, I asked many of these questions as well; that is, what do we do if the following happens? The noble Lord suggested that there are things that perhaps we cannot foresee happening, and I seem to recall that a similar exercise was undertaken after 2011 in which there was a review of procedures. I think he will understand when I say that detailed information cannot be given out on something like this. If it was something in the nature of a terrorist attack, obviously we would not want to publish any detailed blueprint about what we would do in particular situations. But what I will try to do is ensure that we get a response around to noble Lords to set out the position in broad outline. There are plans in place to take the necessary action in so far as we can. But as the noble Lord rightly said, there are situations which we probably have not foreseen. Again, I will ensure that noble Lords are given a response on this matter in whatever detail is possible, although I think that it will be broad in nature.

The noble Lord also mentioned the three-digit number and rightly said that it was not going to be a silver bullet. It will help in some situations but not in the most dire ones. Noble Lords will be aware that this is due to be implemented in April 2016, so for those

situations that fall short of the catastrophic, obviously it is still important that there is a three-digit number that people are able to use to ensure that they know what is happening in their locality and what the advice is in a particular situation.

Perhaps I could say something in relation to demand-side response and on storage, which was rightly brought up in the debate. The report stresses the potentially important role of newer technologies such as demand-side response management and storage. Demand-side response could mean industrial customers shifting the timing of their electricity-intensive processes away from peak times, for example. We will ensure that an auction will take place for demand-side response in January 2016, with the first capacity payments for those who are successful following in 2017. An analysis of the currently available evidence indicates that demand-side response in existing generation does not generally require as significant up-front capital investment as new-build plant and therefore does not require as long-term capacity agreements as new-build plants do, and that is the reason for the shorter period in relation to that auction. On 15 October, we published an assessment of this issue which shows the diverse nature of the demand-side response, and one or two noble Lords raised questions about that report.

On storage, we very much share the view put forward in the report of the potential role that energy storage could play and the flexibility that storage offers as a balancing solution. While we are not currently planning to introduce a framework of incentives specifically for energy storage, we are encouraged that in the recent pre-qualification for the next capacity market auction, which is to take place this December, the majority of existing pump storage sites have pre-qualified this year, bringing a potential 2.7 gigawatts de-rated capacity of storage into the capacity market.

Some noble Lords also mentioned battery storage in the context of zero-carbon cars and the noble Lord, Lord Teverson, referred to Tesla. Work on this is, as yet, at a relatively early stage but we are the second largest producer of zero-carbon cars and the Government are determined that we do not lose our market edge.

Smart metering is clearly important and work is progressing on it. We have around 1.7 million meters already installed. I had a meeting about smart meters this morning and, as one would expect, it is beginning to ramp up. This will make a difference to demand, which is welcome.

The significant issue of interconnection was raised by many noble Lords, including my noble friends Lord Selborne and Lord Howell. We are committed to increasing Britain's interconnection capacity, which can help to lower consumer bills and meet decarbonisation objectives. Great Britain currently has 4 gigawatts of interconnection, across four interconnectors, to France, the Netherlands, Ireland and Northern Ireland. Earlier this year, financial investment decisions were reached on two new interconnectors—one to Belgium and one to Norway. Denmark and Iceland are also being talked about but they are not yet at the decision stage. Interconnectors will bring additional security of supply benefits by giving access to generation beyond our national borders when it is needed. I stress that connection

to neighbouring countries with different sources of generation increases the resilience of our electricity system.

Cybersecurity is one of the Government's top national security priorities. I welcome the supportive comments made by the noble Lord, Lord O'Neill. This is taken seriously across government and certainly within DECC, which is working with government departments and agencies, as well as with industry partners, to ensure that the risks to the energy sector are understood and that appropriate mitigations are established. This includes ensuring that cybersecurity factors are considered, where possible, at the early design stages of future systems, as they have been at Hinkley C, for example. Smart meter security has been a key consideration at every stage of system development.

At the outset, my noble friend Lord Selborne rightly talked of the importance of looking at the whole-system impact. The committee's report recommends the Government take a look at the whole-system costs of low-carbon technologies. The report on the Energy Systems Catapult is due to be published early in 2016—I think that the noble Earl raised a question about that—and DECC has also commissioned Frontier Economics to examine the whole-system impacts of electricity generation. Its report will be published in March 2016. These points were also raised by the right reverend Prelate the Bishop of Sheffield and my noble friend Lord Ridley. The Frontier Economics review aims to systematise DECC's understanding of the impacts of electricity technologies, system balancing, overall capacity adequacy and networks.

My noble friend Lord Selborne, and other noble Lords, mentioned energy efficiency. I agree that it is vital and we are committed to insulating 1 million homes in this Parliament.

The noble Lord, Lord Dixon-Smith, talked about the importance of the planning system. I agree that it is central to this issue. He also mentioned the loss of heat from the production of electricity. DECC takes this very seriously, too.

This has been a high-quality debate, to which noble Lords have brought different perspectives. However, it has demonstrated, once again, that there is no silver bullet. There is a diversity of energy supply. Renewables and CCS—to which the noble Baroness, Lady Worthington, referred—are in the Energy Bill and are central to what the Government are doing and were mentioned in the manifesto, and there are the two projects at White Rose and at Peterhead.

Baroness Worthington: Can the Minister respond on the structural question of how we govern the security aspect of the trilemma, compared to the other two, given that Ofgem looks after costs and the CCC looks after climate change? Who do we rely on to get expert, apolitical advice on security of supply? Should we not be thinking of creating something that helps us to bring this kind of analysis to the table more regularly and with a similar degree of rigour?

Lord Bourne of Aberystwyth: I will ponder on what the noble Baroness has said. As she knows, I was very responsive to the committee in looking at the CCS policy across parties: I was very willing to take it

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forward and it will be covered in tomorrow's Third Reading debate. I will look at it—at present it is the responsibility of DECC, within government, and I do not want to say that we will have another committee just for the sake of it. However, I will consider what the noble Baroness has said because she has put it forward in a very constructive way.

I thank the noble Lord, Lord Broers, for what he said about the substantive reply I gave him. I am pleased about that—we do not often get complimented on our parliamentary responses. He is right about the importance of capacity factors, nuclear and so on and about the fact that solar and wind costs are coming down. At the outset, the noble Earl said that we did not want a system on subsidies. We need them to get things moving initially and there are subsidies that remain, but, ideally, we do not want a system driven by them.

My noble friend Lord Howell mentioned fusion. That will be covered in the letter on nuclear that I will ensure goes to noble Lords. Work is being done by the Government, a lot of it at the excellent Culham centre in Oxfordshire, and it is certainly part of the mix. The noble Lord, Lord Rees, talked about support for battery storage and other methods of storage. The Government are looking at that.

I apologise for going over time, but I thank noble Lords for a very high-quality debate. We will ensure that any points that I have missed are picked up and covered in correspondence. I have undertaken to consider some points and will do so, but without commitment.

8.07 pm

The Earl of Selborne: I thank the Minister for his very constructive response. I agree that this has been an interesting debate and we have benefited enormously from a great deal of expertise and experience of the energy sector from around the House. I join in the appreciation for National Grid. My noble friend Lord Howell drew attention to the fact that we should not be facing these capacity margins, but we recognise and respect the expertise of National Grid and the way it is approaching this.

As my noble friend has just explained, the Government are looking for a reset of energy policy. We are looking for a realistic, fully costed energy policy which recognises the complexity and wide range of scenarios which we could face over the next two decades.

Motion agreed.

EU Referendum: Assessing the Reform Process (EUC Report)

Motion to Take Note

8.08 pm

Moved by Lord Boswell of Aynho

That this House takes note of the Report of the European Union Committee on *The referendum on UK membership of the EU: assessing the reform process*.

Lord Boswell of Aynho (Non-Aff): My Lords, I am delighted to introduce this report by the European Union Select Committee entitled *The Referendum on UK Membership of the EU: Assessing the Reform Process*. This report, published in July, marked the committee's first formal response to the Government's announcement that they would seek to renegotiate the UK's relationship with the EU, followed by an in/out referendum on UK membership by the end of 2017. The report took account of an evidence session held with the Minister for Europe, David Lidington, and meetings with EU institutions and others during an intensive committee visit to Brussels. At the outset, I record my thanks to all those who took part: those who gave evidence or discussed matters with us; those Members and colleagues who participated and, as ever, our expert and committed staff.

To be clear, the committee did not and will not make a recommendation concerning whether the United Kingdom should remain a member of the European Union. Neither did the report focus on the provisions of the European Union Referendum Bill, which is currently before your Lordships' House. Rather, the report was designed to inform noble Lords of our views and concerns about the process of renegotiation and reform.

The committee reached the following conclusions, which I will summarise. We supported the Government's efforts to ensure that the referendum takes place as soon as possible, in order to minimise uncertainty. The UK's upcoming presidency of the European Council, scheduled for the second half of 2017, makes the arguments for an earlier referendum all the stronger. Notwithstanding the Minister for Europe's assurances that it would be possible, in theory, to hold a referendum during the course of the presidency, common sense tells us otherwise. On the other hand, an earlier referendum creates the possibility of the UK having voted to leave before the presidency takes place. While the Government were right to press ahead with their plans for the presidency in 2017, it is only fair on our fellow member states to be ready to put contingency plans in place should the referendum either be delayed or result in a vote to leave.

The Minister told us that the internal Whitehall system for carrying forward negotiations—which seems to involve the Foreign and Commonwealth Office, the Cabinet Office, No. 10, HM Treasury and our Brussels officials in UKRep—was intended to work,

“by network rather than by hierarchy”.

This struck us as both unrealistic and a recipe for confusion. By way of example, the media frequently report that the Chancellor of the Exchequer is in fact leading this process, as exemplified by his high-profile visit to Berlin this week. Is that true? If so, what role is his department playing? How will he be held to account by Parliament for his actions? How is he interacting with the Prime Minister, the Foreign Secretary and our diplomats in Brussels? I would be grateful if the Minister provided some clarity on this in his response.

Equally, from the UK perspective, it would be helpful to know more about who our key interlocutors are in Brussels. The Government's written response to our report—brief as it is—stressed that the Prime

Minister's key contacts were with the presidents of the EU institutions. But what about the role of influential, well-regarded and technically expert officials in their teams, such as the Council Secretary-General Jeppe Tranholm Mikkelsen, the Head of Commission President Juncker's Cabinet, Martin Selmayr, or, indeed, Jonathan Faull, who has been appointed to head a Commission task force for strategic issues related to the UK referendum? Will the Minister tell us more about what role they are playing and how they interact with interlocutors at official and ministerial level in the UK Government?

The committee was pleased to have the opportunity to meet Martin Schulz, the President of the European Parliament, to discuss these issues. It is essential that the Government do not overlook the role of that Parliament in the reform process, as its approval is likely to be required for any legislative proposals that emerge. What assurances can the Minister give us that the Government are actively engaging with the European Parliament?

I acknowledge that, at the time of our report's publication, the Prime Minister had left a good impression with other member states thanks to his efforts to engage with them ahead of the June Council. We stressed that the onus was on the Government to explain what they seek to achieve by way of reform, and to ensure that such positive momentum was not lost. It is therefore regrettable that a number of member states, notably Estonia and Finland last week, as well as the EU institutions, have expressed frustration at the lack of detail on the Government's reform objectives.

The Prime Minister last week promised to "quicken the pace" of negotiations and reiterated that he will write to the President of the European Council, Donald Tusk, in "early November", setting out his position in more detail. The calendar tells us that we have now arrived in early November. Can the Minister tell us when the stamp will go on the letter which is so greatly anticipated by all? Can he also provide clarity on how the letter will be brought to the attention of my committee and the House?

On the subject of parliamentary accountability, our report acknowledges that the sensitivities of the process meant that the Government were unwilling, in their words, to provide Parliament with a "running commentary". Yet, the committee also warns in it against presenting Parliament with a *fait accompli*. The Government have consistently repeated the mantra that Parliament will be kept informed. Yet actions speak rather louder than words. By way of illustration, last Friday's *Financial Times* reported that the Chancellor was pushing for an "emergency brake" to safeguard the interests of non-eurozone countries. Is there any truth to this? If so, when will Parliament be given an opportunity to scrutinise or consider such proposals? It has come to a poor pass when Parliament must rely on media reports, rather than the Government, for the latest update.

To give another example, two months ago the Minister assured the House that the Foreign Secretary would be willing to appear before my committee, but we have yet to receive a response to our invitation to him to do so.

Will the Minister repeat his assurance this evening and assure us that we will get a swift response to our outstanding invitation?

Equally, given the profound implications for the nations of the United Kingdom, we feel that it is vital that the Government engage fully with the devolved institutions. We, for our own part, are seeking to do so. Last month we visited the National Assembly for Wales, where we met the First Minister and the Assembly's Constitutional and Legislative Affairs Committee, and we will be travelling to Belfast and Edinburgh over the coming weeks. We therefore note with concern that our colleagues in the Scottish Parliament have apparently been met with a brick wall in their efforts to secure an evidence session with the Minister for Europe. What assurance can the Minister here tonight give us that the Government are engaging with counterparts in the devolved institutions, including meeting their legislatures' committees—and, more to the point, taking their views and concerns into account during the negotiation process?

Our report also dwelt on the question of treaty change. We accept that it is not feasible for changes to the EU treaties to come into force ahead of a referendum. Nevertheless, the Government are right to seek to ensure that any agreement on key aspects of a reform deal is legally binding. Two potential precedents are the 1992 Edinburgh agreement, by which Denmark secured legally binding opt-outs to be incorporated in future treaty change, and the guarantees offered to Ireland before its second referendum on the Lisbon treaty, which were contained in conclusions of the European Council.

In the absence of firm details, the report found that it was premature to examine the Government's policy priorities at this stage. However, the committee naturally takes a close interest in the question of enhancing the role of national parliaments. We have no principled objection to the Government's proposal for a red card, by which national parliaments would be able to block unwanted legislation. Yet viewed in isolation, it could give the misleading impression that national parliaments should, or could, only play a blocking role. If the Government are serious about enhancing the role of national parliaments, they should explore means such as our own proposal for a "green card", whereby national parliaments could make a positive and proactive contribution to the development of EU policies and legislation—which could, of course, include proposals for deregulation or decluttering the system, as well as altogether new innovations. Can the Minister give us an assurance that the Government will take the green card model seriously in their forthcoming negotiations?

To conclude, we recognise that the question of UK membership of the EU is only one of several fundamental issues facing the EU at present. Nevertheless, as our report says, the process that is now under way,

"presents significant challenges and opportunities, not only for the UK, but for the EU as a whole. As the Prime Minister has stated, the package of reforms ... should be for the benefit of every nation and citizen of the EU".

For the committee's part, we will continue to engage with the Government, the devolved institutions, the EU institutions and other member states, in particular

[LORD BOSWELL OF AYNHO]
 in the context of our new inquiry, entitled “Visions of EU Reform”. However, that debate is for another day. For the moment, I commend this report to the House and look forward to contributions from noble Lords on all sides.

8.20 pm

Lord Howell of Guildford (Con): My Lords, this is a good report from a very able chairman, my noble friend Lord Boswell; I congratulate him. When we consider the colossal implications for the whole future of our nation for years ahead, quite why we should be debating this matter late in the evening, in the dinner hour, puzzles me. Sometimes the arrangements for business in this House baffle me, and this is one of those times.

For me, the last paragraph of the report, to which the noble Lord, Lord Boswell, has already referred, is the most important, because it emphasises the fact that reform,

“should be for the benefit of every nation and citizen of the EU”. That suggests that one gigantic piece of the whole jigsaw of the negotiation process, and the policy behind it, is still missing. The missing bit is what I call the deep reform agenda—the careful unpacking of the old 20th-century EU model, which everyone knows is obsolete—that is the view of the vast majority throughout Europe—and its reassembly in a form fit for the digital age. Some people call that the “somewhat looser Europe” model.

The challenge is not actually a British problem: it is to create a modern and resilient European Union. That is what millions of people throughout Europe want—and all the blogs and all the airwaves we see and hear every day are full of new ideas along those lines. Even the most ardent Europeans know that the European Union’s core institutions and procedures must be revisited. That is the essential context for the negotiations.

My question, which is prompted by the excellence of the report, is simply: where is the British contribution to this deeper debate? If we are against ever-closer union, what kind of union, or co-operative structure, do we want to work for Europe, both in Europe’s best interests and in our own, assuming that we want to see Europe enjoying stability and prosperity, never again to be destroyed by the horrors of the 20th century?

There are answers to that question, and I hope they are ones that the committee, under my noble friend Lord Boswell, will address in the future. I shall give your Lordships a brief list. First, the nature and scope of the competences—the powers—of the European Union, and the allocation of powers at different levels between the Union and nation states, need the most thoroughgoing review. The balance of competences exercise conducted by the Foreign and Commonwealth Office was not thoroughgoing. It did not look at the essential point that many of the competences, the boxes into which they were put 20 and 30 years ago, and the definitions, are simply out of date, or muddled. They do not match the nature and shape of the modern economy at all. Energy policy is a classic example of that.

Secondly, the nature of the single market itself needs total re-examination. The single market today is something quite different from what it was even 10 years ago. There are entirely new supply chains, a whole new pattern of trade agreements around the world surrounding the European Union—what has been called a spaghetti bowl of global trade agreements—and new world markets which hardly existed 10 or 15 years ago. There is far more ambiguity in the rules of origin of any product or service. One could elaborate on that but that is the reality now.

Thirdly, the doctrines of standardisation of rules and integration, which were economically fashionable in the 20th century and which argued for more and more cohesion, size and scale, no longer apply in the digital age. The opposite is now the reality.

Fourthly, the whole subsidiarity process needs vastly expanding and applying rigorously to existing overcentralised and outdated acquis. This is acknowledged by everybody privately but somehow does not come into the negotiating scene.

Fifthly, fewer central powers for the European Union would mean a more limited area for EU laws and the European Court of Justice. There have to be laws governing the good conduct of trade but they should cover far fewer areas than they do. EU legislation anyway, as every lawyer will tell you, is full of problems that need uncovering and reforming. In that context, we also need context to look at not just the relations between the European Parliament and our national parliaments but at the role of the European Parliament itself, which also needs reform and which many people are very uncomfortable with.

Then there is the euro currency’s problems which, of course, are chronic and insoluble. As even the *Financial Times*, the great cheerleader for these things, warns, there will be unending crises. Any day of the week you can see a profound pro-European commentary in the *Financial Times* warning us of that. My own view is that modern Europe should leave the whole eurozone system to wither on the vine.

The great principle of freedom of movement in Europe is, of course, crumbling before our eyes. Again, it is not just, or even mainly, a British problem. Recent weeks have shown that very clearly.

Obviously there must be treaty change eventually. I think that is mentioned in the report. Ministers keep admitting it. The Prime Minister has conceded it in the past and, indeed, has argued for it. Clearly, there is no time to do that between now and 2017, or whenever the referendum comes, but the process should be set in motion for another intergovernmental conference to bring forward the reforms that are wanted by everyone throughout Europe, not just by Britain and one or two other countries.

Reform must come before, or at least alongside, renegotiation. That is the essential framework without which just negotiating a list of demands makes no sense at all. The Prime Minister has said that the EU is an organisation in peril, and so it is. It is riddled with crises, of which the refugee and migrant issue is only the latest. There will be many more and there have been many more. Negotiating with an unreformed European Union is negotiating with yesterday. Our focus should be on negotiating with tomorrow.

8.27 pm

Lord Desai (Lab): My Lords, I very much welcome the committee's report. As the noble Lord, Lord Boswell, said, we are not deciding whether we are in or out; right now we are looking at the process by which the negotiations will be carried out. The report points out that the structure with which we are negotiating is a very complex, multitiered one. As Henry Kissinger once said, "You never know who to call to find out the mind of the European Union". On the one hand we have the trinity of the president of the Council, the president of the Commission and the head of the Parliament to talk to, then there are the 27 countries. On the other side, there is not only the Westminster Parliament but also the devolved Administrations, so it is a very complex process.

I do not know whether we have the time to do an adequate job in this respect, with negotiations starting, as it were, after the election victory, and given that we are setting ourselves a deadline of having a referendum by the first half of 2017 to avoid the fact that in the second half of that year we will hold the presidency of the European Union. It would be reassuring if the Government could tell us that they have a strategy, the machinery and the lines laid down that will, in good time—that is, by the end of 2016 or very early in 2017—let us look at what has been agreed and what has not. As I said, this is not the time to go into what we should or should not insist on. One thing that would be clear from this process is that if we stay in—as certainly I hope—we ought to go much further in reforming the governance structure of the European Union than at present. At present it is neither fish nor fowl; it is not a confederation; it is not a federation. The whole euro crisis has shown that it is a very inadequate form of governance and perhaps we could reform it. Of course, we will have our own agenda to negotiate with the assembly of bodies we are negotiating with, and I wish the Government luck in whatever they say.

I will add just one more thing because I do not want to go on for too long. There is a question about whether the Government can take Parliament into their confidence. That is a tricky one, I understand, because to take Parliament into their confidence as the process is going on might disrupt the process. I have a helpful suggestion for the Government. I think they should constitute a small committee of privy counsellors in both Houses of Parliament and, on Privy Council terms, let them know what is going on. They can be trusted—let us hope—not to blabber, and to give the Government good advice on what they, as representatives of Parliament, think about the process. That may be an adequate bridge between consulting Parliament and not being able to tell everybody what is going on.

8.31 pm

Lord Lawson of Blaby (Con): My Lords, I join in the congratulations to my noble friend Lord Boswell and his committee on having produced an interesting report and having elicited a perhaps even more interesting written response from the Government. I must declare some interests. I am a member of the EU Financial Affairs Sub-Committee of the European Affairs Committee now, but I was not when this report was

being produced; I am president of Conservatives for Britain; and my home is in France. I think that is all the declarations I need to make now.

The central question that was asked in the report is: what exactly are the Government up to? What are their negotiating demands? What are their requirements? We had a somewhat inadequate response, but a response of sorts, in the Government's written response to the committee's report, and we have heard a little bit more today, with the Chancellor of the Exchequer's speech in Berlin. I have a high regard for the Chancellor of the Exchequer but I found his demands—or requests—in Berlin today disappointingly unambitious. However, what he did reiterate, which the Prime Minister has said on a number of occasions, is that we need an opt-out from ever-closer union. That is certainly necessary. At least since the *Solemn Declaration on European Union* in Stuttgart in 1983, and probably before, it has been clear that the objective was the creation of a single state—a united states of Europe, albeit of a federal nature—and that is not something that we wish to see; at least, it is certainly not something that we wish the United Kingdom to be part of.

What does an opt-out mean in practice? There are two things at least that are characteristic of a single state. One is that it has its own currency and the other is that it has control of its own borders. In a single state, as in the United States of America, there is free movement of people from the northern United States to the southern states and so on, but the state has control of its own borders.

We have the first of these—control of our own currency—and the Chancellor of the Exchequer may be right to say that the European Union must resile from the claim that the euro is the currency of the European Union. But we do not have control of our own borders and it is necessary that we achieve this. The Prime Minister's suggestion that this is simply all about welfare benefits is nonsense. The vast majority of people who wish to come to this country, whether from the European Union or outside it, come to work and not to claim benefits. Some do it to claim benefits but they are a tiny minority. We have to achieve not merely securing our own currency, which we have, but control of our own borders. That must be a condition.

There is also a third requirement. Under the spirit of ever-closer union, although it will be presented as bringing economic benefit—not that it will—there will be a continual flow of integrationist legislation and regulation from the European Commission in Brussels, and that is not something which we can block. We have not been able to block it hitherto but, at least technically, we might have assembled a coalition of member states to block some of it. But from next year, the eurozone countries will have an automatic qualifying majority, and since everything requires only a qualifying majority and not, understandably, unanimity, we will not be able to block it. Therefore we have to seek to build on the Luxembourg compromise, to which the French used to attach such importance at the time of General de Gaulle.

We should have an agreement that if we believed anything to be contrary to the fundamental interests of this country, we should not block it—as General

[LORD LAWSON OF BLABY]

De Gaulle wanted to do—but it should not apply to the United Kingdom. This is particularly important in the field of financial services. I noticed that in his speech in Berlin today, the Chancellor of the Exchequer made much reference to the problems of European legislation in this area. Even then, if we secured all these things that I have talked about, we would still be unable to negotiate free-trade agreements with third countries. Even then, there would also still be the democratic deficit or what Andrew Tyrie MP, the chairman of the Treasury Select Committee in another place, has called a crisis of legitimacy—because that is what it is.

In a recent speech in Iceland, the Prime Minister stressed the need for, in his own words, continued access to the single market. That is most misleading. The single market is frequently misunderstood and it is not merely the Prime Minister who gets it wrong. The single market is the single regulatory system. Understandably, when the European market was intended to be a “single market” and there was the common external tariff but no tariffs within the member countries, trade did not flow freely because each country had its own regulatory system, and they were different. The single market initiative simply created a single regulatory system—so “access to the single regulatory system” makes no sense whatever.

The Prime Minister also said that the arrangements that Norway has with the European Union are not good enough for us. Curiously, he failed to mention Switzerland, which has a better arrangement, but he is right about Norway. It is a small country, with a correspondingly small negotiating strength. Just compare these two figures. The exports of goods and services to Norway from the rest of the European Union, apart from this country, amount to £50 billion a year. Exports from the rest of the European Union to the United Kingdom amount to £300 billion a year—about the same, incidentally, as they do to the United States. That suggests that we ought to be able to negotiate an arrangement which is six times as good as Norway has done—and I will settle for that.

I recall that a couple of years ago my old friend and former homologue, as we say in France, Jacques Delors, the father of the euro, said:

“If the British cannot support the trend towards more integration in Europe, we can nevertheless remain friends, but on a different basis. I could imagine a form such as a European economic area or a free-trade agreement”.

I will settle for that, too—and so, I believe, would the British people.

8.41 pm

Lord Hannay of Chiswick (CB): My Lords, it is always a pleasure to follow the noble Lord, Lord Lawson of Blaby, but I will spare the House a description of the very large number of areas in which what he said relates more closely to fantasy than to reality. Speaking as someone who is no longer a member of your Lordships’ EU Select Committee, I can without embarrassment or self-congratulation say that the report we are debating maintains the high standards of topicality, forensic inquiry and probing of the Government’s positions which remain the mark of the committee’s

work. The same can be said of the opening remarks of the committee’s chairman, the noble Lord, Lord Boswell of Aynho. If I have a criticism of this report, it would be that it is overly focused on process and says too little about the matters of substance that are at stake. I would hope that the committee will remedy that shortcoming in further reports as we move closer to the date of the referendum.

In paragraph 49 of its report, the committee, very wisely in my view, urges the Government to engage fully with the devolved Administrations. The Government’s response to this recommendation can best be described as limp and inadequate. The consequences of a vote to leave the European Union for the three devolved Administrations could be dramatic, and would certainly be irreversible. The risk that Scottish and Welsh votes to remain in the European Union might be overturned by an English vote to leave is extremely likely to trigger a demand, in Scotland at least, for a further referendum on independence.

The risks in Northern Ireland are different but even more severe. In the event of the two parts of Ireland emerging with one part inside the European Union and the other outside, we could find ourselves slipping towards a re-establishment of border controls on goods, services and people. This would be a major backward step, fraught with political dangers. So would a loss of the European arrest warrant, which has underpinned the depoliticisation of the island-wide fight against terrorism and organised crime. One should not underestimate the importance of that particular instrument. The issues at stake in Scotland, Wales and Northern Ireland really need to be better understood and more fully debated. Otherwise, we could be sleep-walking towards a binary choice best described as that between two unions and no union.

The committee’s report rightly devotes a good deal of attention to the role of national Parliaments in influencing and shaping EU legislation. The committee’s comprehensive list of ideas in this area remains, I suggest, the best available quarry for possible reforms. The Government’s attachment to the terminology of a “red” card is, I fear, too likely to prove both misleading and counterproductive: misleading because there is no question of a single national parliamentary veto being agreed and counterproductive because red card terminology will cut across the necessary task of gaining support in other member states for the strengthening of the existing yellow card procedures so that they work more effectively. This is a case where the Government’s and your Lordships’ House’s objectives are cutting with the grain of European opinion, but they could be damaged by overbidding.

In last night’s Committee proceedings on the EU Referendum Bill, there was some mockery by those who advocate the UK leaving the EU of the fact that those of us who advocate Britain’s best interests being served by remaining in the EU are focusing attention on the weaknesses of the possible alternatives to membership in the event of a vote to leave. But to do otherwise would surely be to display astonishing complacency, which could only bring its own nemesis. Moreover, those who advocate leaving need to explain and to defend the alternatives they favour, if the

electorate are not to be duped and left completely unaware of the consequences of the decision they are being asked to make.

The problem is that there is no agreement among those advocates of leaving on the alternative to be picked. Do they favour the Norwegian model, the Swiss model, the Turkish customs union, a WTO membership framework or simply a leap in the dark? Nor is there any agreement among them as to whether the UK outside the European Union would set a tariff lower than the common external tariff, higher or, perhaps, just the same—in which case, what on earth is all the fuss about? These are all important choices that need to be made and to be set before the electorate before they make their choice.

So there are plenty of substantive issues relating to the referendum, and they do not involve—here I respond to a point made by the noble Lord, Lord Boswell—taking sides in it, which I entirely agree would be quite inappropriate. But there are issues here on which our Select Committee could turn the spotlight of its attention. After the noble Lord has completed the trio of visits to Wales, Scotland and Northern Ireland, it would be extraordinarily valuable if a report could be produced setting out the main issues that have arisen during those visits and the conclusions of the committee on the attitudes of the devolved Administrations as, so far, we are in total ignorance from the government side of what those attitudes are. There is not a word in the reply to this report about their attitude; it merely says that the Government are engaged with them and that, if they are jolly lucky, Mr Lidington might go and see them one day. I think that we have to go a bit further than that. Of course, whether the committee takes up such a matter is of course entirely a matter for its present membership and not for a former member like myself.

8.48 pm

Lord Hamilton of Epsom (Con): My Lords, when I was a member of European Union Sub-Committee A, we produced copious reports. Most of them were pretty dull and boring as far as most people were concerned, but I must say that this report takes the biscuit—it really does. This is the most fantastically missed opportunity. I know that it is the convention of this House that I should congratulate my noble friend Lord Boswell on such a wonderful report, but I am not going to do that. I am actually going to address the report; I am not going to rerun the campaign, which is what we have been doing over the past few days in Committee on the European Union Referendum Bill. It is quite interesting that there are 19 members of the Select Committee, and only one is here tonight to debate the report—and that is the chairman of the committee, my noble friend Lord Boswell. I am not surprised that the other 18 have copped out; I would not want to put my name to this report, because it is a very dreary contribution to the debate.

Let us look into all this, because what is being negotiated in Europe is extremely complicated. People do not understand—or I, certainly, do not understand—what the different options are facing the Government if they want to get concessions out of Europe. There are three categories. There is the sort of stuff that can

come through as a press release, which basically makes no difference to anybody and is probably stating the obvious. There are then certain measures that have to be taken which involve treaty change but, as I understand it—and I am more than happy to be put right on this, as we have great experts here this evening—if we are amending an existing treaty, and that is all that is involved, that can probably be ratified by national parliaments and does not involve a referendum. On the other hand, if what we are talking about involves a new treaty, at that stage we are in the business of ruling the thing out completely. The reason for that is, as stated by President Hollande of France, that he is not going to countenance the idea of a new treaty, because under the French constitution he has to hold a referendum and, if he holds a referendum in France on a new treaty he thinks—and he is probably right—that Le Pen would beat him. That seems to be sensible, logical politics. The Dutch would have to have a referendum, and I should think that they want one like a hole in the head, and the Danes are in the same position. The Irish would be extremely reluctant, and under their constitution they have to hold a referendum on a new treaty. So anything that is a concession given to our Prime Minister that involves a new treaty is actually not going to happen.

On top of that, I would have hoped that the committee would have looked around Europe and seen where we had friends and where we had enemies in terms of measures that we might put forward—what countries might support us and what countries would be against us. That would be a constructive element in this report, in response to the very vexed questions that we face. One big question, as raised by my noble friend Lord Lawson, is on the free movement of labour, which as I understand it involves a new treaty. On top of that, I do not think that a renegotiation has the support of member states of the EU. So on two questions, it is actually ruled out as something that can be negotiated, so we can forget about free movement of labour. I suspect that the Social Chapter and employment legislation would fall into the same category—that they would need a new treaty and, therefore, that is not going to happen. Also I doubt whether there is support for that within the EU.

We have to clarify what is going on here, what is negotiable and what is not. When the Government discovered that free movement of labour was completely unnegotiable, they started talking about depriving immigrants who come into the country from the EU of benefits. I gather that that has had a certain amount of flak from the Poles, who are not very keen on it. I am speaking off the top of my head, and I am happy to be rectified—I had rather hoped that the report might put one straight on these things—but I gather that that would involve amendment of existing treaties and therefore could be ratified by national parliaments. Then we go through all the things that have been raised by the Government, which they say they are negotiating about, such as ever-closer union. I must admit that, in my ignorance, I thought that John Major years ago negotiated that we did not have to be involved in ever-closer union, but I am told that that involves treaty change as well. Then there is the support for the single market and the financial services. It seems to me

[LORD HAMILTON OF EPSOM]

rather amazing that a number of countries in Europe have managed to exempt themselves from the single market in financial services, but that seems to be what happens. I thought the single market was designed to cover all areas of activity, but quite clearly it does not.

Then there is great determination that defence policy should remain the sovereign responsibility of this country. I am not sure an awful lot of negotiation needs to go on about that because that is the position as it stands now, and although there have been efforts to pool defence capabilities in Europe, I do not think they are getting very far.

There is lower EU spending. The noble Lord, Lord Kerr, will remember the times when we used to look at the reductions in the EU budget and compare it with the great undertakings. For some reason, whenever it had been reduced, we found it had actually gone up, and there was some very magical form of accounting which meant that lower spending meant that you spent more.

Reform of the common agricultural policy and structural funds are another area on which the Government are apparently looking for concessions. I remember when half our rebate was given away by Tony Blair in return for reform of the common agricultural policy. Of course, nothing has actually happened since, so I do not think we have to worry about that too much.

At the end of the day, we have a big problem—this has been alluded to by my noble friend Lord Lawson—that if the eurozone is going to survive, it has to have fiscal and political union. It has to come together, and inevitably we are going to be outside that, in which case we will be excluded. Decisions will be taken by the members of the eurozone who have a majority in the Council of Ministers. We have this great debate on whether we are going to be like Iceland or Norway, but at the end of the day if we stay in the EU we will be like Iceland and Norway because what will happen is the eurozone will hand down decisions that have been made by the eurozone members of the Council of Ministers and we will have to go along with them. It is extraordinary that we seem to be going on endlessly about the awful fate of being outside the EU and being like Norway and in fact we are going to be inside the EU and still have the fate of Norway.

A great deal has been made of the signing of trade deals. This is one of the other things the Government are very keen on getting agreement on. There are a number of trade deals. There are trade deals with the United States of America, China, India and Japan, and to date none of them has been ratified or signed. We hear constantly about how it is so much better to be a large unit representing 28 different countries to achieve trade deals, but when it comes to the main countries in the world that we want to do business with, to date we have not signed a free trade deal with any of them.

We are going to get concessions from Europe that we can remain a multicurrency EU. Is that not a wonderful thing? As long as you have people who are outside the eurozone, they will have their own currencies and we will inevitably be a multicurrency EU, so I do not think that is much of a concession either.

It would have been nice if this report had explored these issues. We know what has been debated, but the reality is that the committee, about which I have the gravest doubts, made up its mind. It did not want to say that our Prime Minister is an emperor with no clothes, so therefore it produced this perfectly absurd report which has not addressed any of the issues that are of any interest to anybody whatever. I am very sorry that I cannot support my noble friend Lord Boswell and congratulate him on producing it.

8.58 pm

Viscount Brookeborough (CB): My Lords, I shall change the tone by thanking my noble friend Lord Boswell, so he can be relieved to a certain extent, and the EU Select Committee for this short but, I agree, very light introduction to the referendum and reforms. I agree with much of what the report says, but it is very vague and does not open up all the issues. We look forward to something further from the committee.

I would like to comment, and perhaps plead, on two issues. The first is enabling the electorate to understand the issues and the reforms by keeping the language as simple as possible. My noble friend Lord Hannay has already brought up the second, which is the engagement of the devolved institutions in our nation: Scotland, Wales and Northern Ireland, where I come from.

I could not believe this, but I have been in your Lordships' House for 28 years this month. Most of that time I have spent on EU sub-committees, except when I have rolled off—rather too regularly—and, once, on the EU Select Committee. I was on the finance and economics sub-committee until this spring, which caused quite a stress level from my point of view, coming from rural Fermanagh in Northern Ireland, where, in order to get money out of a bank, it appears that you need a JCB and to do the job quickly. However, I have been enlightened that there are better ways of doing it.

I have been involved in many inquiries. They have stretched from the irradiation of food, which should have been taken on but was not because, in the view of most of us, the EU quashed it; carbon trading, which made millionaires out of people who did not even know what a tonne of carbon looked like and could not explain it, and I am not sure exactly how cost-effective that has been; the financial transaction tax and banking union; and other subjects, many of which would now be in the realms of whether there should not be reform of the powers that the EU has had in order to override other people.

As Members of this House, we are in a privileged position. But the language in which most of the report is termed is beyond the average person in the street—the citizens who are leading a busy life. I am not maligning them but we all have other things to do, and without them doing their work we would not have an economy. So we simply have to look at this in a reasonable light for them. The negotiations will be and are hard work and very complicated, and we accept that, but they must be explained in a way that the public can understand. I remember, as might some noble Lords, a wonderful lady, the late Baroness Elliot of Harwood. She seemed to remain on the Agriculture Committee and never left it, whether I was on it or rolled off it. She would sit

there and after amazing evidence from whoever, her first question was always, “Why can’t you speak plain English?”. She was part of our privileged society, yet she was saying that. Perhaps we should have a ministry of plain English in her remembrance. Okay, obviously we would not, but in order to translate so much of what we are doing at this moment in the process of EU reforms and so on, somebody must be able to put it all into a language that people understand.

The progress must be transparent and comprehensible to the vast majority of people in their own homes. It must not require them to go to meetings and become politicised by attending rallies. We should just remember one thing: inasmuch as we discuss it, and the Government do a certain amount of negotiation and may or may not tell us about it, we are not the people who will decide that referendum. The people who will are outside this Chamber, this Palace and this city, and if we do not achieve something on this we need not be surprised when the emotional vote comes out.

As my noble friend Lord Hannay mentioned, paragraphs 47 to 49 deal with the issue of the devolved institutions. I share his disappointment not in the performance but in the attention of the Minister for Europe to this issue. It is not very impressive, because when he was asked various things at paragraph 47, a paraphrase of his answer is: “UK membership—reserved matter. Not for them”. But every single bit of what is agreed will have an impact on every single bit of the lives of people in those areas, and in my own area of Northern Ireland. He says that there is no veto, but there is only no veto if the poll is so far apart that the numbers of people in those devolved areas cannot change it. To leave them out of it and then antagonise them into perhaps a different way of voting will give them a veto—so basically, he is wrong.

It says that their interests are “to be respected”. The respect agenda has not worked very well with devolved parts of the United Kingdom, and that applies to both sides. When I have been on committees and in my case have asked the Northern Ireland Executive to give us an opinion on something, either it has not arrived at all, or, on a very good day, it has arrived just after we have done the report. However, it goes both ways. We do not give them the chance, therefore we cannot expect to be respected at all. We have to do something about it.

Lord Wigley (PC): If indeed there is a reluctance or a refusal to engage from the point of view of the Minister in London with the attitudes of the devolved Assemblies, would the noble Viscount accept that those devolved Assemblies have not only a right but a responsibility to give a leadership to the people within the devolved territories as to how they should address this question?

Viscount Brookeborough: Absolutely. I agree entirely with what the noble Lord said. All I am saying is that it is a two-way thing and that it cannot happen without people respecting each other, getting on with each other and talking. I note, too, that the Minister says that he will visit Scotland, Wales and Northern Ireland by the end of the year. That is very nice—that shows a

lot of urgency, does it not? We are talking maybe—according to my noble friend Lord Boswell—about a referendum perhaps not in the new year but in the early part of it. It is crackers—sorry, I mean it is a bit bemusing.

We also have the problem—which I do not want to go into because it goes into devolved things—that we have three hugely devolved systems, so nobody knows how to deal with each system, and each one demands something different from the other. I know that Northern Ireland was devolved first, therefore you would not have taken it as a model. However, would it not be lovely if we had a devolved package, and, if somebody wanted to be devolved, they could be devolved, with a package? That would end all the further demands for corporation tax, for this and that and everything else. You would get it or leave it. We are now going into powers for Manchester or further into the north and maybe the west of England. We are inventing things by the day, and how will we deal with them, because it is not an EU thing? However, on this issue, it is.

Scotland has been through a referendum; perhaps it went through an emotional vote, but I will not argue about that. However, it was quite interesting to talk to people in Scotland about their motivation. When one said, “North Sea oil isn’t doing very well”, and so on, they would say, “Okay—we accept that. It may not be”. Then you would say, “Do you want to be like Iceland”, to which they would reply, “Actually, Iceland seems to be better now”—I was there the other day, and it has not destroyed them. “We want to try something new”. They want to do that because they cannot see what the Government and everybody else are going on about when it comes to the EU, because it is not explained.

I will make one small plea and then I will stop. It is from a Northern Ireland point of view; other areas have their own. We have the only land border with the EU, which perhaps means we can smuggle, but it means a lot of other things, too. We should also take note of the report of the Oireachtas Joint Committee on EU Affairs, in the Republic of Ireland, on the effects that a UK exit could have in Northern Ireland and Ireland as a whole. It is quite interesting, because the Republic is being very sympathetic towards us, and it knows how damaging an exit could also be to it if we exit; the Republic will have to take account of that. I believe the Prime Minister said that he would respect an exit decision if that should come through the referendum. Where is the Government’s plan B? If they accept that they may respect it, they must have a plan B. I hope that the Minister will lead us not too late into the night and let us know what the Government’s plan B is. Maybe it will not take him very long, because it might be quite short, but let us see.

What about our land border? What about the restrictions and tariffs for Northern Ireland? What about border controls, which have already been mentioned? Northern Ireland is an agricultural community—82% of farm incomes come from the CAP. What are the Government going to replace that with? The Minister may not have reckoned on the fact that peace funding will have given £5 billion by 2020. Are the Government going to replace that because it means a lot?

[VISCOUNT BROOKEBOROUGH]

This report raises important issues but only as an introduction. We look forward to a more detailed inquiry, sooner rather than later—clarity is the key. I appeal to the Government to try a bit of clarity for once.

9.10 pm

Lord Suri (Con): My Lords, having heard noble Lords' worthy speeches, I would like to say that I read this report with great interest. The authors have done an excellent job in uncovering the indicators which can signify the direction of travel for these negotiations. The information given to the public and us parliamentarians from the Cabinet Office and the Prime Minister's office has been very light on detail. This is, to an extent, understandable, as these discussions are very much in flux, but I call on the Government to be more open with information on how the negotiations are progressing. One existing problem that the committee uncovered was that the existing principles and mechanisms for parliamentary accountability are inadequate and do not cover satisfactorily this sort of negotiation, which is extremely rare and has no precedent. Indeed, it would be a wise move to generate some sort of consensus on what Ministers should tell Parliament in cases such as this, to save future generations the arduous task of drawing up and entrenching new conventions.

Another salient point was how to guarantee treaty change. Some of the Prime Minister's aims, as set out in the Bloomberg speech, will certainly require full-blooded treaty change, especially reform of ever closer union and the free movement of people—treaty revision will simply be inadequate. In the mean time, Ministers have refused to confirm or deny whether they are planning to use the 1992 Edinburgh agreement model, by which Denmark secured legally binding opt-outs to be incorporated in future treaty change, by depositing such agreements with the UN.

It is welcome to see from the report that the Minister for Europe is said to be pushing for greater competitiveness in the EU, but he has not said how he plans to safeguard the City of London from the onerous financial regulations that the Commission will be generating over the coming years. The UK is by far the largest financial hub in the EU and we must make protecting the financial services marketplace a priority in our negotiations. I feel that this could be rolled into the existing demand for greater subsidiarity in the red card system to simplify negotiations. Of course, I, along with members of the committee, welcome the Government's efforts to enhance the role of national parliaments as part of the reform agenda.

The last salient point pertains to the committee's recommendation of a green card system so that national parliaments can club together to propose new rules or reforms to existing ones. I feel that this would return power back to states more effectively than the veto that the red card system would entail. Controlling the process and outcome is far better than controlling the outcome alone. I thank the members of the committee for their detailed report.

9.14 pm

Lord Kerr of Kinlochard (CB): My Lords, I welcome the report with all the enthusiasm of a former member of a team who, sacked by the manager and sold by the proprietor, hears that the team is still winning. My enthusiasm is enormous.

I thought that the noble Lord, Lord Hamilton, showing all his customary understatement and finesse, was a little hard on the report. To even things up, I thought I would be hard on the Government's response to it. It reminds me of the story of the old lady who said that she had greatly enjoyed "Hamlet"—it was full of quotations. The Government's response seems to me to consist only of quotations of things said previously by the Government. I look forward to the Minister's reply, in which I suspect we may hear some of them again. However, I hope that none of them will descend to the level of the first substantive point made by the Government in their response to the committee of the noble Lord, Lord Boswell:

"The Government has been clear that the outcome of the renegotiation will determine the timing of the referendum".

I have never been in doubt about that but it is good to be reassured.

I want to make a couple of points about process, because the report is basically about process. The committee says at paragraph 69 that it found some of the foreigners a bit concerned at not knowing precisely what we want. The report is dated July. They may not perhaps be much the wiser now, but next week the famous letter to Mr Tusk may tell them. Actually, I thought that the Chancellor of the Exchequer's speech to the BDI today told us quite a bit. In the passages that dealt with what seem to be much the most intellectually difficult and complex problem in the negotiations—the relationship between the euro-ins and the euro-outs—it seemed that what the Chancellor was suggesting to the BDI, although I do not know what he said to Mr Schäuble, was both reasonable and achievable. The noble Lord, Lord Lawson, suggested that it was a little unambitious—something about "reach and grasp" comes to mind—but "reasonable and achievable" is not too bad as an aim at this stage of the negotiations.

I admit that the process being followed is one I have never seen before. I worked for Mrs Thatcher, who had a rather different technique. Officials would be summoned and interrogated as to what the maximum was that we could possibly achieve. She would then publicly announce 120% of what the officials had advised. This was an excellent technique—it worked extremely well. For example, in the 1988 negotiation on the budget and the CAP, which started the process of bringing down the CAP as a proportion of the budget with the introduction of stabilisers on agricultural spending, in the end she settled with remarkable ill grace for 100%, denouncing her officials, her allies and her ministerial colleagues as feeble and wet. The foreign foe, defeated, went home able to say, "Well, at least we got 20% off her". It was an excellent technique in my view.

I am a little worried about the technique of not saying what you want until you have established what you can get. From my point of view, it is a slightly unusual order in which to proceed. I suspect that real

negotiations are going on—I know nothing—but that they are taking place on the basis of non-papers, without commitment and probably prepared not by British officials but by the admirable Council secretariat and Mr Faull in the Commission, to whom the noble Lord, Lord Boswell, referred.

That is fine, and it is rather the way that, in 1992, we, the British presidency, dealt with the Danish issue. It was a small circle and the Council secretariat played an important role, particularly the remarkable Mr Piris, then chairman of the Council's legal service. But when we had the outlines of a deal, it was then spread EU-wide to successive meetings of the Committee of Permanent Representatives and then the General Affairs Council. Finally, when it went to the Edinburgh European Council, there were absolutely no surprises in it for anybody. Many had started out with suspicions—suspicions of the British for perhaps being in bed with the Danes, suspicions of the British for perhaps not wanting the Maastricht treaty to be ratified by Denmark. In the end, it was Mr Piris's presentation of the text to the European Council, a well-prepared European Council, which saw the Danish problem solved and the Danes ratify Maastricht.

Blind-siding is always a mistake. The committee is absolutely right to say in the report that it has found some concern among other member states at not knowing what is wanted. It is really important that they should be brought in, because unanimity will be required in the European Council—that means Lithuania, Luxembourg, Slovakia and Slovenia just as much as Germany and France. Everybody has the right to feel that they have been consulted and their views taken into account. Blind-siding does not work. That should have become painfully clear to us in 2011, in the strange midnight disaster when the Prime Minister sprang a series of detailed demands on a European Council most of whose members are still not sure precisely what he was asking for, only to have the ridicule of Mr Sarkozy obliging Mr Cameron to walk out. Small circles are all very well, but well before an attempt is made to secure a European Council agreement, everybody has to be in some way brought on board.

It is perhaps worth noting that the deal that was struck for the Danes, like that struck for the Irish, did not involve either treaty change or a promissory note promising future treaty change—I mention this just as a footnote to paragraph 61 of the report. The texts that were agreed were common acknowledgements of statements the Danes made as to their intentions, and common interpretations—clarifications—of the treaty. They were legally binding. They took treaty form, in that at least one of them was registered at the United Nations as an international treaty, but they did not change the treaty of Maastricht, which meant that the ratification problems elsewhere did not arise.

I feel sympathy for the noble Lord, Lord Boswell, in his ceaseless attempts to bring the Government to account. This report is clear that it would be very good if the Government kept Parliament fully informed throughout. I understand that, but if I were in government, I would be doing exactly as the Government are doing. To be involved in a running commentary and a negotiation is not a good idea. If I were back in my old

haunt as a faceless bureaucrat, I would be extremely anxious to avoid close parliamentary scrutiny of each negotiating move. I do not therefore criticise the Government. At some stage, they will have to tell the foreigners exactly what they want and they will have to widen the circle of those involved in the negotiation. But I would not myself be rushing to insist that at that point, we should cross-examine the Government as to their intentions. They will require flexibility.

I am sure that the reason why the Government are resisting the overtures of the noble Lord, Lord Boswell, has nothing to do with him. I am reminded of some of the noble Lord's friends, possibly even the noble Lord, Lord Hamilton. It could be that they worry the Government. I am also reminded of the Duke of Wellington, not the present one but the great Iron Duke, when he said of his army in Spain:

“I don't know what effect these men will have on the enemy, but by God, they terrify me”.

Mr Cameron may well have that in mind.

9.25 pm

Lord Balfe (Con): My Lords, I add my thanks to the noble Lord, Lord Boswell, for chairing the committee that produced this report. Whatever reports are produced on this subject, I am afraid that they will not please many people for a long time because it is a long-running saga. I have been part of this saga for almost as long as it has run. The opposition Benches are not fully staffed, but I can tell them that they have an organisation that used to be known as the Labour Common Market Safeguards Committee. It is run by a remarkable person called John Mills. I understand that he is the only person who has given a seven-figure sum to a political party and got nothing for it for it apart from running the Labour Common Market Safeguards Committee. It has been in operation since around 1971 and it has constantly niggled about the EU. At first it wanted the referendum to result in a no vote, which it did not. It then spent 20 years, from roughly the mid-1970s to the late 1990s, arguing for expansion and enlargement. It wanted the EU to do more and it wanted it to have more members. When you challenged the committee as to why, its members would say, “Because that is the way it will break down. It will break down under its own pressures”. That was the only reason they wanted it.

Of course, a number of noble Lords and Members of the other House have a long history in this. My good friend Kate Hoey has never hidden her reluctance, shall we say, to have anything to do with the EU and the people it represents. I am sure that the noble Viscount, Lord Brookeborough, will correct me if I am wrong, but she alleges that she represents a strong strand of opinion in Northern Ireland, because although she represents Vauxhall, she represents a good part of Northern Ireland as well, so this has been a long-running saga.

One of the saddest things about it is that it is a very short queue because only one country is actually talking about leaving the EU. Everyone else who is dissatisfied with the EU is talking about reforming it because they all realise that Europe is quite a small part of the world. It is made up of a number of small countries

[LORD BALFE]

and even the biggest of them is not that big. Put Germany against Bangladesh, and I am afraid Bangladesh wins. So let us have a look at what we want to do. We will not get anywhere by constantly saying that we want to leave: “Our solution to your problems is that we will go away”.

What will happen if there is a no vote? Nothing will happen. Britain will have voted no and we will then start a long process of negotiation about withdrawal. I do not know whether it is an interest that should be declared, but I am the chairman of the European Parliament Members Pension Fund. I also served for a period as a director of the CERN pension fund in Switzerland. I mention that because many member states are represented in CERN and there are many member states in the European Union. At one point in CERN, we had to look at what the consequences of a member state leaving would be. We decided that the pension fund would have to buy out its liabilities. Buying out liabilities from a pension fund on an insurance basis not only takes a long time but is extremely expensive. That is just one little corner.

I tell you what would happen if there was a no vote: there would be another referendum about three years later and it would be called a general election. Without predicting too much, I think noble Lords on the opposite Benches and their party would be saying, “We have had three years of negotiating to leave the European Union; the thing is a whole mess. We never wanted to leave anyway and if you vote in a Labour Government next Thursday, we will scrap the whole thing”. So a no vote would actually be a “let’s have another vote after you have got yourself into a thorough mess”, which is what would happen if we started negotiation for withdrawal. Do not doubt it: no one in Brussels would have any vested interest in making our process of withdrawal easy. Everybody would want something out of the pot as Britain goes. There would also be enormous complications. What would happen to the TTIP arrangements with the United States? Are we to withdraw from them before they are signed or will we go along with them? Then what will we do—have separate negotiations with the United States? Are we going to endorse TTIP and ask Congress to approve it, in two or three years’ time, because it is not covered by the decision that gives Obama the right to conclude the treaty? This would be a compounding of lots of different interests. I am not saying that we do not need reform in the EU: of course we do.

I shall finish with a different story. There is a lot of concern about migration in Europe, but let me retell a conversation I had in Frankfurt three weeks ago, with someone who is well placed to know the feelings of the German Government. The migrants are coming into Europe; Germany needs more population. Some people in Germany believe that the cost of absorbing the migrants, even 800,000 of them, would represent about 0.5% of its GDP, which is a really serious amount. However, within five to eight years, all that money would have come back into the economy because of the productivity of the migrants. Do you know what they said about the British Government’s brave idea that we would take migrants from the camps? The gentleman I was talking to said, “Fine. They’re the

losers, Richard. The winners are the ones who have crossed Europe to get to Germany; they are the ones with the initiative and the get up and go. You go to the camps and take the people who want to stay there. The people who will build a modern Germany are the refugees”. That may be a controversial point of view but it is probably an economically sound one, if you look at the quality of the people who are now in Germany. I am not saying that we should change our policy, but when we look at mainland Europe we should not be full of pity, saying, “Oh dear, poor them”, thinking that none of them has thought it out or has any idea what to do, or that these people are just washing in and the response is, “Oh dear, poor little us”. There is quite a well-developed school of thought at the upper levels of European polity which says that we have to control the refugee crisis but it will not necessarily be the worst thing for our economy and our future. We should not forget that.

Last week I was in Turkey, monitoring the election. Turkey still wishes to join the European Union. It has been the wish of all three parties that have served in government that Turkey should join. Frankly, we have treated it disgracefully. We have treated it to promises and we have gone on about human rights, which are important, but we have used things to hide behind. We should start looking around Europe at the large number of countries that want to join. We should say that a stable Europe is one that has one of its biggest countries—namely, us—firmly anchored in the middle, pressing for the sort of reforms that many countries want and leading from within Europe, not this nonsense of sitting on the sidelines and constantly carping, which means that we lose influence because people say, “Oh God, you’re at it again are you?”. We can do much better than that.

9.35 pm

Baroness Smith of Newnham (LD): My Lords, I will endeavour not to detain the House for too long. As the noble Lord, Lord Howell, pointed out, we are already debating late into the evening. Many of us have been here debating late into the evening night after night. I note that we are missing the noble Lord, Lord Forsyth of Drumlean. I thought that he and the noble Lord, Lord Kerr, constantly had to spend time interacting, but he and the Minister, the noble Baroness, Lady Anelay, seem to have been given time off for good behaviour.

Some of us are taking part night after night in the EU Referendum Bill, which is now in Committee. As preparation for that, I read the excellent report produced by your Lordships’ EU Committee on the referendum and the reform process. Unlike the noble Lord, Lord Hamilton, I found it a useful document and one that very much sets the scene for what we are thinking about.

However, I feel a little as if I am intruding on private grief or an internal dispute, because so much of what we have heard is from the Conservative Benches: differences of opinion, whether the renegotiation is doing the right thing, what the renegotiation may or may not be doing and whether there will be treaty reform. Essentially, it is asking what the Prime Minister thinks he is doing. There seems to be quite a lot of dissatisfaction on the Conservative Benches.

In the very insightful comments from the noble Lord, Lord Howell, there was a comment about the timing for reform, renegotiation and referendum, and the fact that we ideally need reform to come first. However, it was not this side of the House or the Cross Benches that put forward the idea of reform, renegotiation and referendum. That was the Prime Minister in his Bloomberg speech of January 2013. It may have served him and his party well until 8 May 2015, but he now has to deliver it. The triptych of reform, renegotiation and referendum is very difficult to manage in the time he suggested. The fact that the noble Lord, Lord Hamilton, is struggling to know whether there will be treaty reform, whether it will be legally binding and how it will come about very much depends on what the Prime Minister, the Chancellor of the Exchequer and the Foreign Secretary are asking. In response to one of the points in the report, I say that those seem to be the three key figures from the Government who are leading negotiations—that is certainly what I have been told privately—but clearly the Minister for Europe is playing an important role.

We know broadly what the Prime Minister is asking for. On several occasions your Lordships' House has been told by the noble Baroness, Lady Anelay, about the four baskets that the Prime Minister is talking about. We have heard them again in Berlin today in various different iterations from the Chancellor of the Exchequer. We have a sense of what is being asked for. Obviously we are all very much looking forward to the letter that is officially going to President Tusk in, we assume, the next few days.

I share the concerns of the noble Lord, Lord Kerr. While it is a nice idea that your Lordships' House and the other place should get a running commentary on the negotiations—that we are apprised at various stages of what the Prime Minister is doing—it clearly is not appropriate for us to try to monitor the negotiations on an ongoing basis. We see that with the Danish model of mandating; one gets a Government who are very much constrained. Negotiations of this type—the noble Lord, Lord Kerr, has already said that he finds this a very strange sort of negotiation—are a complete innovation. Nobody has tried to negotiate prior to a referendum on potential departure before, so we are in unknown territory. The idea of Parliament trying to mandate the Prime Minister, to second-guess what he is doing or to ask too frequently for reports back, is unhelpful, I suggest.

The noble Lord, Lord Desai, had an interesting idea about a group of privy counsellors trying to listen to the Prime Minister and maybe advise him, but given the differences—

Lord Balfre: Is that not an extremely good idea, which would give Mr Corbyn, as a privy counsellor, something to do?

Baroness Smith of Newnham: I am not aware whether Mr Corbyn is yet a member of the Privy Council.

The thought is an interesting one—but given the differences of opinion that seem to persist, even on the Conservative Benches, in your Lordships' House, the idea that a selected group of privy counsellors are somehow going to be able to give wise counsel to the Prime

Minister when he is in the process of negotiating something that is a manifesto commitment rather than something that the ordinary man or woman on the street is necessarily demanding, and that they will be ideally suited to assisting him, is not persuasive.

On the subject of the man or woman on the street, the noble Viscount, Lord Brookeborough, made a first-rate point. I have not declared any interests, but my day job is teaching European politics at Cambridge University, and I occasionally get funding from the European Commission. I say that so that it is on the record, and your Lordships' House does not feel that I have misled anybody, or failed to acknowledge it. I talk about Europe all the time, but there is a whole set of jargon used in discussing the European Union, which we need to get away from. Clearly, it is hugely important to have plain speech in the discussion, in the renegotiation and in the referendum. However, a fact that we often fail to recollect is that your Lordships' House also uses language that is not necessarily common parlance in the outside world. It is easy to assume that the European Union has too many intricacies and is too complicated, when the language of British government is not necessarily straightforward either.

I shall now turn to a couple of final points on the report. First, it mentions bilateral engagement. The fact that the Prime Minister and other Ministers have now started talking to the 27 other Heads of State and Government is hugely important. But may I ask the Minister: to what extent is the Prime Minister going beyond bilaterals just with Prime Ministers, and also talking through party organisations and with sister parties? Is there an opportunity to work on a cross-party basis as well, and involve members of the Labour Party, or the Liberal Democrats, which also have sister parties with Prime Ministers in government? Yes, it may come as a surprise, but the Liberal Democrats do still have sister parties in government in other member states, which might possibly be able to give assistance in the negotiations. As the noble Lord, Lord Hamilton, said, there is an issue of, "Where are our friends, and where are our enemies?". I think that none in the 27 countries would say, "We are an enemy of the United Kingdom"—but clearly some member states are closer than others. One of the important things is to identify the countries with which we can easily make common cause, and those with which we need to work harder. For those of us who believe that Britain's place remains within the European Union, working on a cross-party basis, or even a no-party basis, with partners across the European Union appears to be one way of dealing with that.

Reform is important. We have heard that from the Cross Benches and the Conservative Benches. However, that reform must benefit the European Union as a whole. It cannot be done on a unilateral basis just for the United Kingdom. The idea of a Luxembourg compromise that works merely to enable the United Kingdom to opt out of things we do not like will not be the way forward. To keep the negotiations going with 27 other member states we need to work on a basis of compromise and co-operation. The reforms need to be realistic and to reflect the needs of the whole European Union. Most member states want the United Kingdom to remain in the EU, but not at any

[BARONESS SMITH OF NEWNHAM]

price. The Prime Minister needs to remember that if he is to get the deal which he is seeking, which this country and the European Union need, it has to be done on the basis of working to a common agenda, not one that simply appears to be pick and mix for the United Kingdom.

Like noble Lords on both sides of this House and our colleagues in other European member states, I very much look forward to the Prime Minister's letter to President Tusk, but I also look forward to the next report of your Lordships' committee on visions of reform.

9.45 pm

Baroness Morgan of Ely (Lab): My Lords, it feels as if we have been here for weeks, talking about the same issues for days and days, and we have more to come tomorrow, of course.

I, too, thank the noble Lord, Lord Boswell, and his committee for the report, which is very good as it talks about what is in the title—the reform process. It is not about the content of the negotiations themselves, but rather the process and mechanics of the reform negotiations. The report highlights a number of important areas on which the Government should focus their attention. The Government have not given us much back in terms of anything new or exciting, or any vision. They have kept their cards close to their chest, as they have done throughout the negotiation process.

The committee focuses on a few issues, including the timetable, and on the fact that the French and German elections have to be avoided. However, it has missed out the fact that a lot of other elections will take place in Europe between now and 2017. Spain will hold elections this December. Next year, Ireland, Slovakia, Cyprus and Lithuania will hold elections, as will the Czech Republic, Luxembourg and Holland. We ignore these countries at our peril. This is about not just how Germany and France feel about the British desire for change, but how every single member state feels about it. It is a shame that that was not alluded to in the report. We should please remember that every country is important in this negotiation.

We know, and hope, that David Cameron has learned the lesson that squaring matters with the German Government does not guarantee delivery, as we saw when he failed to stop Juncker being nominated as President of the Commission. He thought that was all sorted out because he did some nice little deal with Germany, but he did not manage to deliver on it. You have to go beyond Germany and France. Let us please learn that lesson. It is incredible to think that we are in line to take the presidency of the EU in the second half of 2017. What a situation that would be if we had just voted to come out of the EU. It would be absolute chaos, as the report rightly points out.

The killer point of the report is that the internal Whitehall process for handling renegotiation is unrealistic and unaccountable. There is no mechanism for keeping Parliament informed of the discussions, so we are all fumbling in the dark until the white smoke appears, when we are expected to cheer and celebrate. The report is highly critical of the complexity of the

negotiations, and questions who is in charge. The noble Lord, Lord Desai, rightly brought to the attention of the House the question that Henry Kissinger used to ask: “Who do I phone if I want to call Europe?”. We have an answer to that now: Donald Tusk.

It took a while to get there, it has to be said, but we are there, and that proves that this is not a one-off negotiation; negotiations are constant in the European Union. We are constantly seeing reform. But imagine you are a civil servant in charge of social security in Latvia and you want to discuss in-work tax benefits; who would you call and how would you be sure that the line given by the Cabinet Office or the Department for Work and Pensions would be the same as that given by the Treasury or the Foreign Office? Can we be confident that they would give the same answer? The mechanisms of the process are unclear.

There would be a requirement for the European Parliament to approve any legislative proposals that emerged, so it would make sense for the Prime Minister to become very friendly indeed with the European Parliament very quickly. It has invited him to go and speak to it and present his desires for the nation, and I suggest that he take up that offer because it will be important for the Government to get the blessing of the European Parliament.

Lord Hamilton of Epsom: What should the Prime Minister say to the European Parliament when he gets there?

Baroness Morgan of Ely: The European Parliament has invited the Prime Minister to put forward his objectives for the reform process. It would like to know what they are—we would all like to know what they are—but it will have a say in the process. So it is about enlightening the European Parliament, and I think it absolutely right that he goes and presents to it. Once the letter has been written, we should all be in a better place, but it is taking a long time.

It is also important for us to take note of the points made by the noble Lord, Lord Hannay, about the devolved Administrations. They do not feel loved on this issue at all. It is important that they feel loved and feel involved. It is part of their nation that is being negotiated with. They need to be involved in that process, and a little visit, perhaps by the end of the year, when actually everything has more or less been decided about what we are looking to change, is probably not the best way to work with them. I suggest that the Government ignore the devolved Administrations at their peril.

The committee is also right to underline the fact that the implications of EU withdrawal would be profound for Gibraltar. The Government there have even gone as far as to suggest that this would create an “existential threat” to Gibraltar—imagine that. It is clear that Gibraltar will need some real reassurance on that matter.

We know there are four broad areas where the Prime Minister wants to see change. Of course, we are all waiting for that letter. It is true that a little more light has been shone on the situation today but the noble Lord, Lord Kerr, is right: the whole approach to this negotiation seems very odd. The Government

should probably take some advice from junior doctors, who seem to have managed to negotiate a deal with the Government that the Government were not prepared to give. Taking some tips from junior doctors—or some pretty good trade unionists—would be a good place to start. This method of communicating and negotiating is not necessarily the best way to work.

I take issue with the Government's response to the committee, especially their suggestion that they would like to reform welfare,

“to reduce the incentives which have led to mass immigration from Europe”.

I brought this to the House's attention yesterday. It is a load of nonsense. According to the Economic and Social Research Council Centre for Population Change, a number of EU countries are as generous as Britain in terms of social security per head. France, Germany, Denmark and the Netherlands all spend more in real terms than the UK on social security. Last year, a European Commission report concluded that there was no evidence of systematic or widespread benefit tourism by EU nationals migrating within the EU, including to the UK. The UK is the only EU member state where there were fewer beneficiaries among EU migrants than among its own people. So let us stop this scaremongering and stop talking it up as an issue, when it is simply not true. According to the DWP's own figures, 6.4% of those claiming benefits were non-UK nationals. That means that British nationals were two and a half times more likely to be claiming working-age benefits than non-UK nationals. I would like to hear the Minister withdraw that statement because I think it was misleading and wrong.

We would like to wish the Prime Minister all the best in his negotiations with the EU. The future of our country depends on it, and the stakes for the UK could not be higher. The Prime Minister does not have a great track record on working with his EU colleagues, so lots of diplomatic schmoozing will be essential in the next few months. The Prime Minister has painted himself into a corner on the EU date. While this issue might be at the very top of his in-tray, with the migration crisis unfolding in Europe, the effects of the financial crisis still unfolding across the continent and the tension between the EU and Russia, it is probably not a priority for any other member state. This year, following weeks of trailing, the start of UK negotiations was going to be on the agenda of the June EU Council meeting. How long was the Prime Minister given to bring up his ideas on the changes he wants to see? He was given 10 minutes. We were hearing for months that this was going to be the big occasion, but he was given 10 minutes. I hope, for the sake of the country, that he is given a better hearing in future. We hope and trust that he will do much better in his negotiations than he has in the past.

9.57 pm

The Earl of Courtown (Con): My Lords, this has been a quite excellent debate with some very varied and informed speeches.

Lord Boswell of Aynho: That is nice to know.

The Earl of Courtown: Yes, we have been here for some evenings now and—please excuse me—it has all been blending into one debate.

As noble Lords will no doubt be aware, the Government published their response to the committee's report on this issue on 28 September this year. They welcomed the report and responded to its recommendations in turn but things are moving swiftly on this issue, so let me begin by setting out the Government's position before I turn to the individual points raised by noble Lords during the debate.

My right honourable friend the Prime Minister has been clear about the changes that are needed. He has set out four clear areas of reform. First, on sovereignty and subsidiarity, Britain must not be part of an ever-closer union, which may be right for others but will never be right for the United Kingdom. We want a greater role for national parliaments in the European Union.

It is vital that the European Union adds to our competitiveness rather than detracting from it. We need to sign new trade deals, cut regulation and complete the single market. On this, we have already made much progress. As the Prime Minister set out in his Statement to the House following the October European Council, there has been an 80% reduction in new legislative proposals under the new European Commission. We have reached important agreements on a capital markets union, on liberalising services and on completing the digital single market. We have also championed vital trade deals but there is more to be done.

On eurozone governance, we need to make sure that the European Union works for those outside the single currency as well as those within it. The single market must be protected and we must face neither discrimination nor additional costs from the integration of the eurozone. Finally, as has been mentioned, on immigration we need to tackle abuses of the right to free movement and deliver changes that ensure our welfare system is not an artificial draw for people to come to Britain. There is a clear process to secure these reforms.

Baroness Morgan of Ely: I am sorry, but the facts, as I pointed out, simply do not bear that out. I request that the Minister withdraw that statement because it is simply not factually correct. Welfare is not a magnet, as has been proved by a European Commission report, and I ask the Minister to withdraw the statement.

The Earl of Courtown: I have some notes for later in my speech that will refer to that point, which the noble Baroness made in her speech. As far as withdrawing something that I did not put out in in the first place, I understand what the noble Baroness is saying, but I will write to her on that and put a copy in the House Library if possible.

The European Union Referendum Bill has passed through the other place and is now making its way through this House. The Prime Minister has already met with leaders of all 27 other member states as well as with the presidents of the European Commission, of the European Parliament and of the European Council to discuss the reforms that we seek. Technical talks have been taking place in Brussels to inform our

[THE EARL OF COURTOWN]

analysis of the legal options for reform. There will now be a process of negotiation between all 28 member states, leading up to the December European Council. The Prime Minister will be writing to the President of the European Council to set out the changes that we want to achieve.

I will now address the points raised today. The noble Lord, Lord Boswell, asked a number of questions in his speech, which I will do my best to answer. He asked whether my right honourable friend the Chancellor is leading on this and how he interacts with the Foreign Secretary and the Prime Minister. The Prime Minister is leading the renegotiation, working closely with the Chancellor and Foreign Secretary, supported by the Minister for Europe and Cabinet colleagues.

The noble Lord, Lord Boswell, also asked about treaty change. The Prime Minister has been very clear in his discussions with other leaders that the reforms we are seeking must be legally binding and irreversible and that, in some areas, that will mean treaty change. There must then be agreement to those changes before the referendum.

Lord Kerr of Kinlochard: I congratulate the noble Earl. He has proved my prophecy correct. The last sentence that he read out is there in the Government's response—the same clichés in the same order.

The Earl of Courtown: I thank the noble Lord for bringing that to my attention. The noble Lord, Lord Boswell, also asked about the role of the European Parliament. We will work closely with the European Parliament and recognise the important role that it plays in the European Union's institutional architecture, for example as co-legislator for secondary legislation and in scrutinising trade agreements. My right honourable friend the Prime Minister welcomed President Schulz to the UK recently, and the Foreign Secretary has also met key players in the European Parliament.

The noble Lord, Lord Boswell, also raised the subject of the key interlocutors in Brussels. As I mentioned earlier, the Prime Minister has met all the leaders, as well as the President of the European Commission. The technical talks, led for the UK by the Prime Minister's Europe adviser and UK Permanent Representative to Brussels, have been taking place in Brussels, and there will now be a process of negotiation between all 28 member states leading up to the December European Council. The Prime Minister will be writing to the President of the European Council to set out those changes.

Lord Boswell of Aynho: I am most grateful to the noble Earl for how far he has taken this. Can he give any news—or at least an undertaking to reflect and report back—on the possibility of the Foreign Secretary honouring his undertaking to attend our committee?

The Earl of Courtown: My Lords, I was going to come to that. Yes, I will bring that point about the Foreign Secretary appearing before the noble Lord's committee to the attention of the department.

A number of noble Lords mentioned the devolved Administrations, including the noble Viscount, Lord Brookeborough. The Government have been clear that they will continue to keep Parliament informed on the progress of this renegotiation. As foreign policy issues are reserved, relations with the European Union are the responsibility of the Parliament and Government of the United Kingdom. However, the United Kingdom Government involve the devolved Administrations as directly and fully as possible in decision-making on EU matters that touch on devolved areas.

The noble Lord, Lord Boswell, asked about the green card issue. The Government are committed to making it easier for national Parliaments to work together to influence the European Union's decision-making. Many member states agree with the United Kingdom that there are shortcomings in democratic accountability in the European Union, and there is widespread support for enhancing the role that national Parliaments play. It is clear from the noble Lord's letter to President Juncker that the House of Lords EU Committee—and, I am sure, the other committees around the EU—sees this as a way of shifting the political culture for the better within the European Union. The Government share that overall objective.

Several noble Lords mentioned the letter. As the Prime Minister said when he arrived at the European Council in October, he will again be setting out the four areas which we need to change and laying down what the changes will be at the start of November. The Government will continue to keep Parliament informed, and the Prime Minister will share his letter with Parliament.

My noble friend Lord Howell of Guildford referred to treaty change. The Prime Minister's position that some of the reforms we are seeking will require treaty change has not changed. We must have agreement to such treaty change before the referendum. My right honourable friend the Prime Minister also said that Britain would benefit from being in a reformed European Union, but that a reformed European Union would also benefit from having Britain in it. The Prime Minister has clearly set out the four areas where we are seeking change, and I will not repeat them.

I take note of the suggestion of the noble Lord, Lord Desai, relating to a Privy Council committee, but Her Majesty's Government continue to believe that the scrutiny arrangements are valid. Our strategy is reform, renegotiation and then referendum. We will work together with other countries to discuss and agree reforms, many of which will benefit the entire European Union, before holding a referendum to ensure that the British people have the final and decisive say.

The noble Lord, Lord Hannay, raised the question of national Parliaments and the red card. As I have already set out, the Government want a greater role for national Parliaments in the European Union. Many member states agree with the United Kingdom that there are shortcomings in democratic accountability, and there is widespread support for enhancing the role that national Parliaments play.

The noble Viscount, Lord Brookeborough, mentioned matters relating to enabling the electorate to understand the issues. At the conclusion of any deal, the public

will rightly expect Ministers to set out the results of the renegotiation, how the relationship with Europe has been changed and if and how those changes address their concerns. As my right honourable friend the Chancellor of the Exchequer said in June, the Government will publish assessments of the merits of membership and the risks of a lack of reform in the European Union, including the damage that could be done to Britain's interests. The noble Viscount also asked about plan B. The Prime Minister is focused on success. He believes that he can and will succeed in reforming and renegotiating our relationship with the European Union and in campaigning to keep the United Kingdom in the European Union on that basis.

The noble Baroness, Lady Morgan, mentioned welfare and migration. If I can add anything more, I will, but I will go through the note I have. We accept that the free movement of people to work is one of the four fundamental freedoms of the European Union, and these negotiations do not seek to curtail this freedom, but we want to protect the United Kingdom's welfare system from abuse and reduce the incentives that encourage highly skilled workers to travel to the UK to do low-skilled jobs. This undermines economic growth in their countries of origin and belief in the fairness of free movement in destination countries. That means reforming welfare to reduce the incentives that have encouraged such mass migration from Europe, including the very generous way in which you can access our welfare system and in-work benefits almost on day one of arrival in Britain. We must also develop other freedoms, in particular freedom of movement of services and capital, to ensure that it is not just free movement of people that contributes to convergence of living standards across Europe.

Baroness Morgan of Ely: I am sorry, but the noble Earl keeps repeating things that are simply not true. I ask him to go back to the Department for Work and Pensions, ask for the figures and make sure that there is an understanding that this is not abuse in the way that people are making out that it is. Let us not talk up this issue, because it is not a problem—it is making a problem up.

The Earl of Courtown: I have already committed to the noble Baroness that I will take this back and look at it.

I disagree with the noble Lord, Lord Kerr of Kinlochard, over his suggestion about not revealing what we want. The Prime Minister has been clear and has spoken on several occasions about the areas where we are seeking change. Technical talks started in July, and their purpose is to explore the technical and legal options for delivering reforms. We are not going to give a running commentary on those discussions. Unsurprisingly, I agree with the noble Lord, Lord Kerr, about giving a running commentary, as also made by the noble Baroness, Lady Morgan. I add that his self-description does not do him justice.

This has been a fine debate, and I thank noble Lords for their important contributions. The Government are clear about the interest that the House has taken in this issue, and rightly so, as it is one of the utmost

importance and one in which the Prime Minister is focused on success. He believes that he can and will succeed in reforming and renegotiating our relationship with the European Union and campaigning to keep the UK in the EU on that basis, before holding a referendum to ensure that the British people have a final and decisive say.

10.12 pm

Lord Boswell of Aynho: My Lords, veterans of debates on the European Union and reports of the Select Committee and its sub-committees will be familiar with the fact that we are often obliged to do this at a late hour. That is partly a function of being able to get the reports debated in a timely manner. If we are honest, there are occasions when the subject matter is somewhat staid and the comments are occasionally even a touch self-congratulatory. I think we have been spared that tonight. The convention is to say that we have had a very good debate, but actually, amazingly enough, we have; it has been very lively, and one could almost call it enjoyable. I would take some encouragement from that, in that there may be something going on in the air, because there appears to be a renewed interest, sensitivity and liveliness about the debate, which is probably to the good for the future.

It is late and I do not intend to speak at length, but, first, I should say that the Minister is very good—sometimes better than some of the professional politicians, if I may put it that way—at playing a straight bat against both fast bowling and some deadly spin. He has done that in a way that the noble Lord, Lord Kerr, forecast, almost quintessentially. In a sense, I admire that technique. Amazingly enough, we manage to distil words of wisdom even as we go along, albeit that it is a slow process. I reflect on my own experience as a Minister, when the dilemma was not what you knew—that was quite easy—but what you knew but could not remember whether you were allowed to say, which was more difficult. However, the debate will continue, as it will with other noble Lords.

I do not want to go through in seriatim, but there have been some important calls for better vision and fascinating suggestions about better communication with this committee and the role of this committee in communicating at large. If I can do so without invidiousness, I shall single out three contributions to comment on. The first is that of the noble Lord, Lord Hamilton, who remains my good friend. He is very right, occasionally, to shake us up. He did not like the report, and I am sorry about that. I suppose my excuse is a sort of Billy Bunter excuse for eating the cake: it was quite a small one. The reason the report was quite a small one was, as we say in our final paragraph, that we are beginning the process of shedding light on the process. There is more work to be done.

Many of his adversions related to the treaties and how they would interact, what would happen to them and whether it would be necessary to change them. Frankly, we need to remind the House that the Government, not the EU Select Committee, have called, in their terms, for a new settlement with the European Union, which they are negotiating and on which it is our duty to comment. We are not, as it were, functioning as the Government. We are not striking out too far.

[LORD BOSWELL OF AYNHO]

However, I take the point, and I think in our forthcoming report on visions we will want to give a bit more meat to this process. As we learn more of the Government's intentions from the letter to President Tusk and otherwise, we will take that forward.

The second contribution was made by the noble Lord, Lord Balfe, who talked about a possible scenario on exit. I know that the Government are very reluctant to talk about this. I would like to report to the House and to the noble Lord, Lord Hamilton, that it may not be as simple as that. If one thinks that there may or may not be treaty change engaged in remaining, it is almost certain, on the intelligence and advice I have received, that there would be treaty change on leaving. It would require three treaty changes under Article 50: a treaty of withdrawal negotiating our exit; an amending treaty for the remaining 27 member states who would have to take us out of the equations of the Lisbon treaty; and, one assumes, a future treaty of association between the United Kingdom and European Union. That is a triple bill which might entail all these potentials for referenda and other debates to go on. However, I leave that.

I shall close on two aspects of the comments of the noble Viscount, Lord Brookeborough. I acknowledge that he was not the only speaker, although I think he is the resident most directly affected, who talked about the sensibility of the devolved Administrations. He

singled out the problems in the island of Ireland. I think I am right in saying that near Clones one of the major roads crosses the border four times in five miles, which is an example of the kind of issue that can arise—and that is before you look at some of the constitutional implications of the Anglo-Irish agreement and so forth. We are sensitive to that and we will continue that work with our colleagues in the devolved Administrations.

Even more, he made an impassioned point which reflects the view of us all that there should be as much plain speaking and common sense about this discussion as there can be. I understand that the words “derogation”, “protocol” and so forth trip off our tongues easily because we are used to them, but they not the kind of thing that will engage the electorate. We have a primary duty to report to this House, and we have an important secondary duty to contribute to the national debate which will now start to get under way and to do it in a fair and objective way. In doing that, we will need to focus very carefully on what the Government are doing. We will then report as we can and as material becomes clearer to us. We have made a start. We intend to carry on. I am very grateful for the support of noble Lords in this debate tonight.

Motion agreed.

House adjourned at 10.18 pm.

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