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PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS

OFFICIAL REPORT

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The following abbreviations are used to show a Member's party affiliation:

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

No party affiliation is given for Members serving the House in a formal capacity or for the Lords spiritual.

House of Lords

Monday 2 September 2024

2.30 pm

Prayers—read by the Lord Bishop of Southwark.

Introduction: Lord Spellar

2.36 pm

The right honourable John Francis Spellar, having been created Baron Spellar, of Smethwick in the County of the West Midlands, was introduced and took the oath, supported by Lord Jordan and Baroness Smith of Basildon, and signed an undertaking to abide by the Code of Conduct.

Introduction: Baroness Winterton of Doncaster

2.42 pm

The right honourable Rosalie Winterton, DBE, having been created Baroness Winterton of Doncaster, of Doncaster in the County of South Yorkshire, was introduced and made the solemn affirmation, supported by Lord Falconer of Thoroton and Baroness Smith of Basildon, and signed an undertaking to abide by the Code of Conduct.

Oaths and Affirmations

2.46 pm

Several noble Lords took the oath and signed an undertaking to abide by the Code of Conduct.

Retirements of Members

Announcement

2.50 pm

The Lord Speaker (Lord McFall of Alcluith): My Lords, I should like to notify the House of the retirements with effect from 31 July of the noble Baroness, Lady Jolly, from 1 August of the noble Lord, Lord Warner, and from 13 August of the noble Lord, Lord Owen, pursuant to section 1 of the House of Lords Reform Act 2014. On behalf of the House, I should like to thank the noble Lords for their much-valued service to the House.

NHS Continuing Healthcare

Question

2.51 pm

Asked by ***Lord Crisp***

To ask His Majesty's Government what assessment they have made of the effectiveness of NHS Continuing Healthcare in supporting people with long-term complex health needs living in their own homes or in community facilities.

The Parliamentary Under-Secretary of State, Department of Health and Social Care (Baroness Merron) (Lab): NHS continuing healthcare fulfils a unique function within the health and social care system, providing support for people with the highest levels of need by fully funding their health and social care. To monitor its effectiveness, the department works closely with NHS England, the wider sector, such as the Parliamentary and Health Service Ombudsman, and voluntary organisations which represent people with lived experience. This includes assurance work and projects to promote consistency in implementing this care.

Lord Crisp (CB): My Lords, I thank the Minister for her very positive response. As she says, NHS continuing healthcare is vital. However, there are problems. Some of those are about finance, but I want to ask her specifically about the criteria for eligibility both nationally and locally, which are obscure and difficult. First, at the national level, can the Minister define precisely the level of nursing or other health services that a local authority can legally provide and which therefore do not have to be provided by the NHS? Secondly, almost 85% of applications other than fast track are refused, yet people have been encouraged to apply by health and care workers locally. Does the Minister agree that more needs to be done to ensure there is a clear understanding of who may or may not be eligible, rather than wasting so much of patients', relatives' and professionals' time on unsuccessful applications?

Baroness Merron (Lab): I do understand the concerns raised by the noble Lord and agree that we need to take a close look at all these areas. I have already raised that with officials and with Minister Kinnock, who is the responsible Minister in this area. On the second question, there is indeed a relatively low conversion rate, and I understand that the decision was originally made to ensure that everyone who might be eligible is actually assessed. The assessment acts as a gateway to other NHS-funded care but, having looked at it, this could perhaps be made somewhat clearer. On the first question, the noble Lord will understand that I cannot give a definitive answer, and he will be aware that legislation does not limit the number of hours or the cost of nursing care that a local authority may provide. However, the Care Act 2014 sets out that local authorities can provide nursing care only in very limited circumstances—for example, where it is a minor part of overall care, such as basic wound care.

Lord Balfe (Con): What action are the Government taking to hold integrated care boards to account to ensure that the *National Framework for Children and Young Persons' Continuing Care* is implemented equitably and consistently across all local areas? I declare my interest as the joint chair of the all-party group for children with short lives.

Baroness Merron (Lab): It is crucial that we provide the right support to children and young people. NHS England's regional teams are working with local systems to explore the delivery of continuing care to that younger group. It is important to say to your Lordships' House that we do not currently collect data on, for example, children and young people, but we will be

[Baroness Merron]
doing so from April next year. That will help us capture evidence, which will enable us to improve things in the way the noble Lord and his all-party group want to do. We continue to welcome views from stakeholders and partners in this regard.

Baroness Pitkeathley (Lab): My Lords, I wonder if other noble Lords share my experience of people who should have continuing care never even being told about its existence. As the noble Lord, Lord Crisp, said, the criteria are obscure, but they are even more obscure if nobody tells you that you could be eligible. Would the noble Baroness be sympathetic to the idea of being much more open about the existence of this facility to both patients and their families?

Baroness Merron (Lab): I thank my noble friend for that observation and certainly agree that, in all these areas, it is very important that people understand what might be available and how they might best apply. As I said to the noble Lord, Lord Crisp, the assessment is potentially a gateway to other NHS funding. I feel quite strongly that that needs to be clarified, so that people know what they are going into. I will take my noble friend's comments on board and discuss this within the department.

Baroness Barker (LD): My Lords, this issue has been a football between health and social care for many decades. We have never sorted out whose responsibility it is to do assessments and to make sure that those who are assessed know about the local services to which they can apply. How will the Government sort out that fundamental part of the problem?

Baroness Merron (Lab): As the noble Baroness is aware, the responsibility for this lies with integrated care boards and a framework applies to both adults and children and to young people. It is for NHS England to ensure that the framework is properly applied. Certainly, the framework for children and young people has not been revisited since 2016 and we need to look at whether it is doing the job it is intended to do, because we want people to be getting the care they need. Each case is unique and complex and, as a person-centred service, that brings its own complexities. We should therefore ensure that the frameworks are applied correctly and get to the right people at the right time.

Lord Evans of Rainow (Con): My Lords, I take this opportunity to warmly welcome the noble Baroness to her place; I look forward to working with her. During consideration of the Health and Care Act, the last Government committed to moving away from care homes. Are this Government also committed to allowing those needing care to be given support to live at home? What changes do they believe need to be made to the NHS continuing healthcare programme to allow them to stay at home, rather than be in care homes? The noble Baroness and I have exchanged comments about this in private, and I am very happy to discuss it again with her at a later date.

Baroness Merron (Lab): I thank the noble Lord for his welcome, and I welcome him; I hope we have set the standard on this first Question on the first day. What matters is that people are getting the right care in the right place, and that it is provided near to where they want it. We think that continuing healthcare is one means of doing that; of course, care homes are another. It is about getting in place what is right. I will be very pleased to speak to the noble Lord outside the Chamber on this matter.

Lord Laming (CB): My Lords, I too welcome the noble Baroness to her post. Does she agree that our society would benefit greatly if we gave more recognition to the load that carers carry in these situations? According to the evidence they gave to our committee, unpaid carers sometimes feel that they are regarded by the health service simply as the chauffeur getting the person to hospital, whereas they are actually providing a huge amount of care. Can the noble Baroness assure the House that recognition will be given to unpaid carers?

Baroness Merron (Lab): I am pleased to take this opportunity to give great recognition to the role that unpaid carers play; they are absolutely crucial to ensuring that people get the care they need, either directly or perhaps by being advocates. I also thank the noble Lord for his kind comments. While unpaid carers are very busy looking after those they care for, they need to be able to look after themselves and their own health needs. We will apply ourselves to this issue.

Lord Dubs (Lab): My Lords, I declare an interest, in that a member of my family gets social care and has been trying to get continuing healthcare, without success. When people live in a local authority area where social care support is inadequate, the temptation is always to apply under the NHS. Is that not the problem? It simply puts more of a burden on those doing the assessments. Can this be resolved?

Baroness Merron (Lab): I hope it can be. When we look at continuing healthcare and the assessment and service it provides, we will certainly take it on board.

Social Care Reform

Question

3.01 pm

Asked by ***Lord Young of Cookham***

To ask His Majesty's Government what plans they have to reform social care.

The Parliamentary Under-Secretary of State, Department of Health and Social Care (Baroness Merron) (Lab): My Lords, adult social care reform is critical to achieving this Government's aim that everyone lives well for longer. Our vision is to create a national care service underpinned by national standards and delivered locally, supporting people to live independently for as long as possible. We will also establish the first-ever fair pay agreement for care professionals. We will engage widely with the sector and people with lived experience to inform these plans.

Lord Young of Cookham (Con): My Lords, I welcome the proposals to improve pay and conditions for those working in the adult care sector that the noble Baroness just announced. But is she aware of the widespread dismay at the cancellation of the proposals for reform, due to come in next year, without anything being put in their place, particularly against the background of what Wes Streeting said during the campaign:

"We don't have any plans to change that situation and that's the certainty and stability I want to give the system at this stage"?

The former Health Minister, Lord Warner, said that the Government's announcement was "misguided". He went on to say, on the plans for reform:

"A Royal Commission and a vague aspiration for a National Care Service is … kicking the can along the road".

So should the Government not adopt the proposals put forward unanimously by two Lords Select Committees, chaired by the noble Baroness, Lady Andrews, and the noble Lord, Lord Forsyth, and make progress straightaway?

Baroness Merron (Lab): I understand that, whenever there is a change in direction, there is concern. I take the noble Lord's point. The inherited commitment to implement the adult social care charging reforms, which would have been on course for next month, was undeliverable because the previous Government did not guarantee the money to do that. It would have cost nearly £1 billion next year, rising to £4 billion by the end of the decade. There were many false dawns in respect of this long—and repeatedly—promised change. It is also the case that there was not adequate preparation to implement the charging reforms. Councils warned that they were impossible to deliver in full in the previously announced timeframe. With all that in mind, I am sorry to say that we, as the new Government, had little alternative but to say that these were not funded or on course to be delivered. We will have to ensure that we offer a national care service, along with a new deal for care workers. We will continue to consult and listen to those with lived experience in order to get it right.

Baroness Andrews (Lab): My Lords, the noble Lord was kind enough to reference the Select Committee report. I think he would agree with me that the value of that report was that we were able to reveal the extraordinary voices of those with lived experience and the many unpaid carers who live such very hard but dignified lives. I have great confidence from what the Minister has just said that the Government will listen to those voices, because they know that there is no quick fix. This is a hugely complex problem, and the fair pay agreement is a very important first step. I have great ambitions, as we set out in that report, for a coherent and systemic change in the aspirations that we hold for social care, as well as the practical delivery. I hope the Minister shares those.

Baroness Merron (Lab): My noble friend is absolutely right that there is no quick fix, and I think that is understood. The national care service, for example, is a 10-year vision, which will mean long-term reform of the sector, underpinned by national standards, making sure that locally delivered care will be of a high quality and consistent across the country. That is what people will want. As my noble friend said, we will continue to consult those with lived experience as well as engaging with workers, trade unions and the sector to make sure that we offer a new deal for care workers.

Baroness Howarth of Breckland (CB): I congratulate the Government on the long-term care planning that they have, and the vision. As a long-term sufferer of cancer and therefore a consumer of both health and social care services over a period of time, I encourage the Minister to take a shorter-term view. Many of us do not have that long to wait for the 10-year plans and thereafter. Something needs to happen quickly, not only to reform social care but to have that integration of health and social care, because most of us with complex needs need them to work together and be on one spectrum.

Baroness Merron (Lab): I very much take on board what the noble Baroness has said, and I understand that for many, including her, time is of the essence. I have described the long-term plan but there will be endeavours to improve things in the shorter term; for example, trialling neighbourhood health centres, which will bring together a number of services under one roof to ensure that health and social care are provided close to home, so that people can access the care that they need. We will also develop local partnerships between the NHS and social care so that we can get people home from hospital rather sooner than they have been of late—and, indeed, when they are ready. But it is about patient-centred care, which will always be at the heart of what we do.

The Lord Bishop of Southwark: My Lords, I welcome the Minister to her post. Does she recognise that one principal reason why fundamental issues around adult social care have not been addressed in the past 25 years is not only the complexity and cost—it is because adult social care is largely invisible and lacks political priority? Do the Government intend to address this?

Baroness Merron (Lab): I thank the right reverend Prelate for his kind words of welcome. I take the point about invisibility in this area, but it would be fair to say that this Government will want to make this extremely visible. It is an issue that will not go away, and also one that is absolutely crucial, not just for those who rely on social care but for the good functioning and provision of the National Health Service. The two are inextricably linked, and we cannot sort out one without the other.

Baroness Tyler of Enfield (LD): Since 2015, the number of working-age adults requesting care has increased significantly faster than those aged 65, and very few of them are self-funders, so while I welcome the Government's commitment to establish a fair pay agreement for the workforce, it will work only if it is matched by commensurate local government funding increases; otherwise, it will just squeeze already overstretched care provider and local council budgets. What plans do the Government have to ensure that local authorities have sufficient funding to meet this commitment?

Baroness Merron (Lab): The noble Baroness raises an important point about actually making it work, but certainly the fair pay agreement is crucial to professionalising the care service and, indeed, raising the visibility of and regard for those who work in this sector, which is nearly 1.6 million people. We will be working closely, as I mentioned, with trade unions, local authorities, the sector and all those with an interest to make sure that the first ever fair pay agreement for care professionals can work and will deliver what we want, which is a stable, well-regarded and well-trained workforce.

Lord Evans of Rainow (Con): My Lords, during the passage of the Health and Care Act, the previous Government came up with a compromise solution to fund healthcare for an ageing population. It was by no means perfect but it made a start, while addressing the concerns of the Treasury. The new Government have scrapped this scheme but have not yet proposed an alternative. A report from the Health Foundation claimed that Labour's plans for social care are the most general, with a headline commitment to create a national care service but no detail about timescales or resources. Can the Minister give us any indications on the timeframe, such as "the end of 2024"—preferably a date, rather than "in due course" or "in the fullness of time"?

Baroness Merron (Lab): I welcome the advice from the noble Lord and I will resist using those terms, which I am sure he will appreciate. However, as noble Lords have already understood, this is not going to be done overnight; we are talking about a 10-year vision but we will be talking about steps along the way. I think it is very important that we make progress on the national care service in the short term, because we have to build the foundations, by working with the sector and those with lived experience, to develop those new national standards. It will be work in progress and I hope that noble Lords will be patient but also press me about what progress we are making.

International Anti-Corruption Court

Question

3.12 pm

Asked by ***Lord Hain***

To ask His Majesty's Government whether they intend to hold discussions with other governments on establishing a new International Anti-Corruption Court; and if so, when.

The Parliamentary Under-Secretary of State, Foreign, Commonwealth and Development Office (Baroness Chapman of Darlington) (Lab): My Lords, this Government will drive a powerful agenda to tackle corruption and kleptocracy, working at home and with international partners. Addressing the issue of impunity for the most egregious acts of corruption is vital. International engagement will be crucial, including discussions around the proposed international anti-corruption court, which we will certainly engage with as they arise. We are also considering how to build on the world-leading capabilities in the National Crime Agency, among other areas.

Lord Hain (Lab): My Lords, I thank my noble friend for her encouraging Answer and also applaud the Foreign Secretary for backing a new international anti-corruption court. It is vital to combat the transnational networks of corrupt politicians, officials, bribe payers and money launderers who act with impunity to enrich themselves, London and the UK overseas territories being havens for corrupt billions. A diverse group of eminent experts has just met in Hamburg to develop a draft treaty, so when do the Government intend to hold discussions with other interested Governments, especially the main victims in the global South, on the urgent necessity to establish the court?

Baroness Chapman of Darlington (Lab): I am grateful to my noble friend for both his Question and his decades-long mission on this topic. He is absolutely right to want to hold our feet to the fire on this. Tackling illicit finance across the UK, its overseas territories and the Crown dependencies, as well as working with partners internationally, is a priority for the Government, and the Foreign Secretary recently stated in the other place that he intends to take up these issues "with full vigour". The Government are certainly interested in the progress of discussions around the establishment of the court. We are mindful of the importance of the issues that the noble Lord raises and the need to work in tandem with our international partners to explore the proposals for the court and to tackle illicit financial flows more broadly.

Lord Alton of Liverpool (CB): My Lords, thanks to the noble Lord, Lord Hain, a number of us were able to hear Judge Mark Wolf outline his proposal for an international anti-corruption court. Is the noble Baroness aware that some 145 world leaders from 45 different countries have now signed the declaration? In welcoming what she has said, I draw her attention to the op-ed written by Gordon Brown which says that this is how Putin could be brought to justice. Will she agree to a round table, perhaps with Judge Mark Wolf and Gordon Brown present, to inform the debate further?

Baroness Chapman of Darlington (Lab): I am very grateful to the noble Lord. I was aware of the discussions in Hamburg, which are a very helpful next step. I have not read the op-ed by my friend Gordon Brown, but I commit to doing so promptly. I would be very interested and happy to join any discussions along the lines the noble Lord described.

Lord Purvis of Tweed (LD): I welcome the Minister to her portfolio and wish her well in that role. I also share her commendation of the noble Lord, Lord Hain, for his consistency on this issue, including a Question asked last July in the House on which her colleague, the noble Lord, Lord Collins, asked the Government proactively to support the drafting of an international convention on this issue. Am I to assume that the Minister will take forward what the noble Lord asked for in opposition and proactively ask officials to be part of the drafting process?

Baroness Chapman of Darlington (Lab): Noble Lords will of course understand that we cannot make progress on this without a treaty on which to base it. We cannot

produce that treaty ourselves; it must be done, by necessity, with international partners. We see this very much as complementing the work that has been done on international money laundering in the UK and with the British Virgin Islands and elsewhere. Should there be discussions along the lines which the noble Lord outlined, we would be happy to take part in them.

Lord Sandhurst (Con): My Lords, I welcome the Minister to the Front Bench. The United Kingdom's international anti-corruption unit has been a world-leading capability since its establishment in 2017. As we heard last year, by 2023 it had

"disseminated 146 intelligence reports, identified £1.4 billion-worth of assets, and supported the freezing of £623 million-worth of assets".—[*Official Report*, 6/7/23; col. 1301.]

Grand corruption is a grave issue. What further steps will the Government take to better recover stolen assets?

Baroness Chapman of Darlington (Lab): I am very grateful to the noble Lord for his remarks. We share our ambition and determination to tackle this issue in as many different ways as are necessary. I highlight the International Anti-corruption Co-ordination Centre, which is part of our NCA. It has been incredibly successful and is unique internationally in its ability to share data and investigate and pursue money that has been raised illegally elsewhere in the world. We want to build on this success.

Lord Foulkes of Cumnock (Lab Co-op): My Lords, on the question of corruption, one of the wonderful things in our manifesto was the proposal to appoint a Covid corruption commissioner. Will the Minister give a clear indication that that appointment will be made as quickly as possible so that the culprits can be brought to book—including a Member of this House?

Baroness Chapman of Darlington (Lab): I am always trepidatious when my noble friend stands up. Probably the best thing I can do is commit to raising the issue of the Covid corruption commissioner with my relevant colleagues in the Department of Health.

Baroness Jones of Moulsecoomb (GP): The noble Lord opposite made a very good point that there seems to have been an awful lot of corruption over the past 14 years, and presumably into the future. Perhaps the unit needs better funding.

Baroness Chapman of Darlington (Lab): I will take on board the comments of the noble Baroness.

Lord Sikka (Lab): My Lords, while the Minister is looking into various things, can I also invite her to look at the failure of the Criminal Finances Act 2017 to prosecute any corporation for tax evasion? The law was specifically introduced for that purpose, but nobody has been prosecuted.

Baroness Chapman of Darlington (Lab): The noble Lord's question highlights the diverse nature of the issues we face. We are looking at kleptocracy and, as he references, tax evasion; we are also looking at proceeds of crime and unexplained wealth. There are very many strands to this, and I welcome his invitation to consider them in a rather more holistic way. This is perhaps a good time to remind noble Lords about the vigour the Foreign Secretary, Home Secretary and Chancellor are determined to use to tackle these issues in a more rounded and holistic way.

Lord Pannick (CB): My Lords, the Minister needs to bear in mind that the poor performance of the International Court of Justice and the International Criminal Court means that many of us do not have great enthusiasm for the creation of another international court.

Baroness Chapman of Darlington (Lab): I take my noble friend's point; I have heard him say such things in this Chamber on many occasions in the past. We need as many tools in our toolbox as we can assemble. However, unless we get the building blocks in place—in terms of international agreements and agreed principles and other nations' domestic processes—then a court will be less likely to be successful than if we are to get those building blocks in place first.

Lord Wallace of Saltaire (LD): My Lords, in the fight against corruption, transparency of ownership and of financial transactions is clearly important. We have seen a number of things in recent years about Crown dependencies and overseas territories agreeing to make transactions and ownership within their jurisdiction more transparent. The actual agreement, however, has not led to enforcement. Will the Government take action to ensure the voluntary agreement which overseas territories are asked to make is actually made and enforced?

Baroness Chapman of Darlington (Lab): The noble Lord is right to raise this; it is a work in progress. We are in close engagement with overseas territories on the sharing of information and on registration of ownership. We have done a lot of work in the UK relatively recently on this, which I know the noble Lord will be aware of, but he will appreciate that this is the subject of ongoing discussions and engagement with overseas territories.

International Law Enforcement Alerts Platform

Question

3.23 pm

Asked by ***Lord Kirkhope of Harrogate***

To ask His Majesty's Government what assessment they have made of the implementation of phase 2 of the International Law Enforcement Alerts Platform (ILEAP) and the progress towards reaching a data sharing agreement with the European Union.

The Minister of State, Home Office (Lord Hanson of Flint) (Lab): The Government are committed to resetting the UK's relationship with the EU, as set out in the Government's manifesto. This includes seeking a new security agreement with the EU to ensure access to real-time intelligence. This could be an opportunity to expand the existing I-LEAP service to enhance

[Lord Hanson of Flint]
mutual capabilities for alert exchange with trusted international partners, as was envisaged in phase 2 of the I-LEAP programme in the first place.

Lord Kirkhope of Harrogate (Con): One of the problems and one of the results of our leaving the European Union was, of course, the complete removal of the automatic exchange of data between our criminal enforcement authorities. This put our country's security in great danger. The previous Government's initiative with I-LEAP has got off the ground, but it is not a proper replacement for SIS II, which was the way in which we conveyed such information previously. I therefore ask the Minister to put a lot of emphasis and priority on restoring the position of this country and its relationship with those with whom we need to share data to deal with criminality and terrorism.

Lord Hanson of Flint (Lab): The noble Lord is absolutely right that the loss of SIS II was very disconcerting, both for our European partners and for us. Many of us, including me, warned about that aspect before we left the European Union in 2019-20. The noble Lord makes the very important point that the current I-LEAP programme is about making sure that we now have 46 police forces involved in real-time data exchange. We will look at how we can expand that to the mutual exchange of data in the long term. My right honourable friends the Prime Minister and the Home Secretary have been very clear that we need to secure a new security agreement with the EU, as is committed to in the manifesto. That means looking at the whole range of issues, including how we can protect our own citizens and European citizens in the most effective way.

Lord Ricketts (CB): My Lords, the House of Lords European Affairs Committee has been hard at work taking evidence on the issue of data sharing between this country and the EU. Given the importance of those arrangements, both for sharing data on law enforcement and for businesses across the country, can the Minister assure us that the Government will consult the European Commission while they frame the digital information and smart data Bill, to ensure that its provisions do not inadvertently jeopardise continued data adequacy arrangements with the EU?

Lord Hanson of Flint (Lab): I am grateful for the point made by the noble Lord. My right honourable friend the Home Secretary has already met with Commissioner Johansson, the EU's justice and home affairs commissioner, to look at how we can increase co-operation as a whole. As Members will know, my right honourable friend the Prime Minister met a number of European leaders over the past seven weeks since the election and is looking at how we can strengthen that very point. It is absolutely critical that we protect our citizens in the most effective way. The exchange of information on data is absolutely vital to ensure that we know which criminals are operating in Europe. We track and monitor those criminals, and take action on a joint basis with the European Union where appropriate.

Lord Browne of Ladyton (Lab): My Lords, in the accounting officer assessment of the current I-LEAP programme, which was updated in May of this year, phase 2 was described as "a longer-term objective" which remains

"at a very early stage".

What assessment has my noble friend the Minister made of the progress achieved by the last Government in reaching a data-sharing agreement? If, as those words imply, progress was halting or minimal, what changes can we make to our approach to hasten progress, given how important it is, as my noble friend said?

Lord Hanson of Flint (Lab): I am grateful to my noble friend. The House will understand that we are where we are. SIS II finished in 19-20 and—

Baroness Smith of Basildon (Lab): In 2020.

Lord Hanson of Flint (Lab): My noble friend misinterprets me: I mean the years 2019 and 2020, when our exit from the European Union was completed—I was right in the first place.

In doing that, a gap was left. I give credit to the last Government for recognising that gap. They introduced I-LEAP, which has had 20 million searches and given 79,000 law enforcement users access to real-time data. Some 46 forces are now involved in that, and, with my support, the programme will move on to phase 2. What we need to do is look at a European-wide security agreement, which my right honourable friend the Prime Minister will do as a matter of urgency.

Baroness Hamwee (LD): My Lords, the Minister has already answered the question that I planned to ask—and positively, which is encouraging. Instead, I will ask for his assurance that Border Security Command will have access to the new system—now and as it goes forward—given that smuggling and trafficking is rightly high on the Government's agenda.

Lord Hanson of Flint (Lab): I can give the noble Baroness the assurance that the Government are committed to undertaking that action. Phase 1 included 46 forces, in Scotland, Northern Ireland and England. We are looking to expand that, so that we can have real-time data—and, in future, real-time assessments of mutual sharing—to attack the real issues that matter to the people we serve: people trafficking, drug smuggling and terrorism, and a whole range of other criminal activity. That is the most important thing, and I hope that there is cross-party support in this House for the actions that the Government will take.

Lord Sharpe of Epsom (Con): Could the Minister provide assurances to the House that August's announcement of the withdrawal of £1.3 billion-worth of tech funding will not have any consequences for national security programmes, including the rollout of further phases of programmes such as I-LEAP?

Lord Hanson of Flint (Lab): I am grateful to the honourable gentleman—or rather, with my apologies, the noble Lord; I am getting used to the House—for

his comments and for the work that he undertook on these issues in the past as lead Minister in the Lords in the Home Office. He will recognise that we have a job to do, which is to make sure that we secure our borders, secure information, and tackle criminal gangs and criminal activity. That is what we intend to do. I do not anticipate that this Government will be watering down any commitments on those issues in the near future.

Refugees (Family Reunion) Bill [HL]

First Reading

3.31 pm

A Bill to make provision for leave to enter or remain in the United Kingdom to be granted to the family members of refugees and of people granted humanitarian protection; to provide for legal aid to be made available in such cases; and for connected purposes.

The Bill was introduced by Baroness Hamwee, read a first time and ordered to be printed.

Statutory Instruments (Amendment) Bill [HL]

First Reading

3.32 pm

A Bill to amend the Statutory Instruments Act 1946; to make provision for the conditional amendment of statutory instruments; and for connected purposes.

The Bill was introduced by Lord Thomas of Gresford, read a first time and ordered to be printed.

Crown Estate Bill [HL]

Second Reading

3.33 pm

Moved by ***Lord Livermore***

That the Bill be now read a second time.

The Financial Secretary to the Treasury (Lord Livermore) (Lab): My Lords, the purpose of this Bill is to bring legislation governing the Crown Estate into the 21st century.

The Crown Estate is a commercial business, independent from government, that operates for profit and competes in the marketplace for investment opportunities, yet it is restricted in its ability to do so by legislation that has not changed since 1961. With less ability to compete and to invest, it is less able to deliver returns for the public purse than it otherwise might be. Existing limitations on the Crown Estate's powers have meant that it has had to generate capital for investment by selling its assets, which is neither desirable nor sustainable, and under current legislation the Crown Estate is constrained in its ability to support sustainable projects and to preserve our heritage for generations to come.

These are the reasons why this Bill is necessary, and why the Crown Estate has asked successive Governments for these reforms. The changes the Bill proposes will give it new freedoms, including the power to borrow as its competitors can, enabling it to adopt a sustainable and competitive business model.

The Bill has two key objectives. First, it broadens the scope of activities that the Crown Estate can engage in, in order to support the delivery of its core purpose across net zero, nature recovery, economic growth and generating returns to the public purse. In its current form, it is predominantly a property estate and is significantly limited in its investment options. The proposals in the Bill therefore seek to provide it with the ability to invest more widely in new growth opportunities—for example, investing in the further mapping of our seabed. This will enable it to undertake significant de-risking activity, such as preconsent survey and supporting grid co-ordination, thus increasing the frequency of leasing for offshore wind and supporting the clean energy transition.

The second objective of the Bill is to enable the Crown Estate to invest in capital-intensive projects more effectively. It does so by empowering the Crown Estate to reduce the size of the cash reserves it needs to hold, thereby expanding its ability to use its land and property assets far more efficiently. As a result, the Crown Estate will be able to accelerate investment in redeveloping and decarbonising its Regent Street and historic London portfolio, as well as investing in projects to support science and innovation. The Bill will unlock potential investment of up to £1.5 billion into the science, technology and innovation economy over the next 15 years, building on the Crown Estate's recent investment in the city of Oxford.

To reduce the size of its cash holdings and engage in more capital-intensive activity in the long term, the Crown Estate needs the ability to borrow, as its competitors currently can. Such borrowing will be from the Government at commercial rates, meaning that the interest it pays will outweigh the Government's cost of borrowing. This will therefore be of net benefit to the public finances, building on the Crown Estate's long track record of delivering significant revenues to the public purse year after year—more than £4 billion in the last decade. Above all, the Crown Estate will be borrowing for investment, maximising the profits returned to the public purse. Any such borrowing will require Treasury consent and will be within the fiscal rules. Given that these new powers will enable the Crown Estate to first draw on its cash holdings, it is not envisaged that these borrowing powers will be used until towards the end of this decade.

The Bill contains a set of necessary reforms sought by the Crown Estate, ensuring that these two objectives can be met and that it can continue to operate effectively both now and in the years ahead. The Bill is composed of three key elements. First, it widens investment powers by removing existing restrictions on investing in the current Act and clarifies the Crown Estate's ability to invest in complementary activities such as research, digital technology and energy supply chains. Secondly, it grants the Crown Estate a power to borrow with Treasury consent. As well as generating returns for the public purse, this new ability to borrow will free it up to make better use of its existing assets, leveraging these to give it more room to invest. Thirdly, it makes

[Lord Livermore]
amendments relating to the governance of the Crown Estate to provide legislative simplification and to bring it in line with best practice for modern corporate governance. By expanding the number of commissioners, the board will be able to better reflect the growing breadth of the Crown Estate business and ensure a greater range of expertise and diversity at board level.

Three specific clauses achieve these ends. The first inserts two new sections into the Crown Estate Act 1961 to clarify the powers of the commissioners. These new sections explicitly broaden the investment powers of the commissioners and grant a power to borrow, subject to Treasury consent. This clause also clarifies that the commissioners have the powers to do that which is connected, conducive or incidental to meeting their general functions, including enhancing and maintaining the estate and the returns obtained from it. It also allows the Crown Estate to borrow from the National Loans Fund, the Treasury or otherwise, subject to Treasury consent, and authorises the Treasury to provide financial assistance to the commissioners or to provide loans from the National Loans Fund.

The second clause makes two amendments to modernise governance by increasing the maximum number of board members from eight to 12 and removing the requirements for the salaries and expenses of its commissioners to be paid out of voted loans. The third clause sets out procedural matters relating to the extent and commencement of the Bill.

These clauses give the Crown Estate the flexibility it needs to meet its core duty of enhancing and maintaining the value of the estate and the returns obtained from it. The Bill broadens the scope of activities that the Crown Estate can engage in, enabling it to further invest in the energy transition, and it empowers the Crown Estate to invest in capital-intensive projects more effectively. Critically, these measures will unlock more long-term investment, increasing the contribution of the Crown Estate to creating high-quality jobs and driving growth across the UK. The Bill delivers a targeted and measured enhancement to the Crown Estate's powers and governance, modernising it for the 21st century.

3.39 pm

Lord Young of Cookham (Con): My Lords, I am grateful to the Minister for his clear explanation of the Bill and for the time that he spent last week talking to those who have an interest in it. I welcome its provisions, which enable us to make the best use of our natural resources—in this case, offshore wind—in turn helping us to meet our environmental targets. I know that others will speak on those targets, particularly the noble Baroness, Lady Hayman, as chair of Peers for the Planet, of which I am a very small satellite.

As the Minister said, the Bill amends the Crown Estate Act 1961. Its Second Reading in your Lordships' House that year was over in under half an hour, with only two speeches, the response from the Labour Front Bench being made by the Earl of Lucan, father of the one who disappeared. Today the Bill may get greater analysis. I will leave others to address the specific issue of the seabed and turn my attention to the broader issue of the governance of the Crown Estate.

The Bill's Explanatory Notes say that it makes amendments to Schedule 1 to the Crown Estate Act 1961 which are

"intended to bring The Crown Estate's constitution in line with best practice for modern corporate governance".

In 1961, the Crown Estate was the fairly passive holder of land owned by the Crown, at a time when issues of transparency and accountability were very different. Now, if we look through the impressive 173 pages of the Crown Estate's annual report, we see that it is a totally different organisation. The briefing notes to the King's Speech said:

"The Crown Estate plays a critical role in maintaining and improving public infrastructure of England, Wales and Northern Ireland and generates a financial return for the Government worth over £3 billion in the last decade. This money helps fund vital public services".

I applaud its many achievements, which the Minister touched on. However, it has no shareholders. It is independent of the Government and the monarchy and is run by 12 commissioners. It floats in a public space on its own, with an umbilical cord to the Treasury in a framework agreement, on which more in a moment.

This raises the question of whether the governance structure is still appropriate, 60 years after the legislation introducing it was passed, with very minor amendments touched on by the Minister today. Is the modest addition of an extra commissioner, as proposed by the Bill, adequate? Does it really bring the Crown Estate in line with best practice for modern corporate governance? How is it held to account? The noble Lord, Lord Berkeley, who will speak later, may address this issue in more abrasive terms than those that I plan to use.

To make my point, I turn to the issue of undertakings given to Parliament by the Crown in return for not being covered by legislation, a privilege not accorded to any other organisation and which underlines the need for proper accountability. The undertaking that I want to refer to was given on the last day of the last Parliament, 24 May. I quote the relevant passage:

"The Crown as landlord, will, subject to the conditions described below, agree to the enfranchisement or extension of residential long leases or to the grant of new residential long leases under the same qualifications and terms which will apply by virtue of the Leasehold Reform Act 1967 and the Leasehold Reform, Housing and Urban Development Act 1993, to lessees who hold from other landlords".—[*Official Report*, 24/5/24; col. 1368.]

The 1993 Act was one that I put on the statute book as a Housing Minister in the other place. The Crown gave me a similar undertaking to the one that I have just read out, which I relayed to the other place at the time. However, there is evidence that the Crown Estate is not abiding by that undertaking in respect of freeholds for which it now has a responsibility under a process known as escheat. I will summarise as briefly as I can the reason for that assertion.

The freeholder of a block of flats in Southampton could not be traced, and initially an encouraging dialogue was opened on behalf of the leaseholders with the bona vacantia division of the Treasury. It confirmed that it would be happy to sell the freehold to them as qualifying tenants and pointed them to the

so-called BVC4 formula on the government website, which details the procedure compliant with the relevant legislation. That formula calculated the cost of buying the freehold, as a multiple of the ground rent and the leases that remain, as £17,850.

However, this encouraging dialogue with the Treasury Solicitor was abruptly terminated, as it was stated that the liquidator had disclaimed the asset and it was now vested in the Crown Estate. The Crown Estate in turn appointed Burges Salmon, which responded to the leaseholders by saying that it did all the Crown Estate work regarding enfranchisement and collective freehold purchases and that:

"We consider that a disposal of the Property might be possible in this instance".

There was no reference to the undertaking I gave a moment ago. Burges Salmon would do nothing before £750 was paid to open a file. It further advised that the government BVC4 formula did not apply to the Crown Estate, saying that:

"It is not obliged to follow guidance from the Bona Vacantia Division as that is a separate entity and we have dealt with this matter in this way for many years".

That was again in defiance of the undertaking.

In addition to its fees, Carter Jonas would be instructed to provide the price at which the Crown Estate would sell, with all fees to be paid in full by the tenants. The total cost would be over £60,000, over four times the figure produced by the BVC4 formula in the legislation, which requires no valuation, and a contribution of only some £600 would have been made to the costs of the solicitor at the Treasury. I do not think that can be reconciled with the undertaking given to Parliament. Nor can it be right that leaseholders had certain rights under their original freeholder but lose those rights when the freehold defaults to the Crown Estate. The Crown Estate might argue it has a duty to secure best value, but that cannot override the clear undertaking I have given. There is now deadlock, causing problems for leaseholders who need to sell. As Burges Salmon conceded in a letter:

"Where a block of flats is subject to escheat lessees will generally be unable to sell".

I note that when the Crown Estate gave evidence to a Treasury Select Committee in 2017, the then chief executive said on escheat:

"The Crown Estate's role in respect of escheat properties is pretty narrow; it is limited to helping to respond to an owner who comes along and basically getting them back into private hands".

She went on to concede that

"I do not think we are best placed to deal with properties that are subject to escheat".

That issue is not confined to the one I have just quoted from. A letter from the Crown Estate says:

"The sheer volume of properties which become subject to Escheat each year means that we outsource this work to Burges Salmon and Carter Jonas".

Further, following the Grenfell tragedy and the Building Safety Act, which places responsibility for remediation on freeholders, many freeholders are likely to go bankrupt, in turn putting more properties into escheat.

So what should be done? I mentioned earlier that the Treasury is the sponsor department, and the relationship with the Treasury is set out in *Framework Document: The Crown Estate* of June 2023. This refers in paragraph 2.1 to the need for "good management", and later to

"strong collaborative relationships with customers"

by the Crown Estate. Crucially, it also says that the Treasury shall

"inform The Crown Estate of relevant government policy in a timely manner".

Government policy on enfranchisement has been clear for many years. It is not being delivered, and I hope the Minister will use his powers to put right the injustice I have referred to.

3.48 pm

Earl Russell (LD): My Lords, there is much to welcome in this Bill. We welcome Labour's mission to decarbonise power generation by 2030. While we are supportive, we will closely scrutinise these proposals to ensure they work and provide value. We will encourage Labour to be bolder. The partnership between the Crown Estate and GB Energy is key. GB Energy will be a state-owned energy company sitting at the heart of Labour's plans to decarbonise our power generation. Backed by £8.3 billion of government investment over this Parliament, the aim of GB Energy will be to leverage some £60 billion of private investment—a state-owned investment vehicle working alongside the private sector.

The Government will take on some of the risk and provide much-needed stability in policy. This will help to accelerate private investment, speeding up the transition to cleaner energy, ensuring energy security and lowering energy bills over time. It is good for the environment, for jobs and growth, and for lower energy bills, potentially saving each household £300 a year, if all works well.

A typical household's annual energy bill will rise by 10% from October. This is necessary because of higher international energy prices, which is a stark reminder of the impact of our continued dependence on imported gas. Ambition is good, but are the financial resources provided adequate? Labour has decided to cut its own green budget: £23.7 billion for green policies over this Parliament is far less than the £28 billion a year that Labour had originally planned. We call on Labour to reconsider.

This partnership brings together the Crown Estate's experience of delivering renewable projects, especially offshore wind, with new investment powers. It is hoped that 20 to 30 gigawatts of offshore wind will reach seabed lease stage by 2030. This partnership makes sense and the Conservatives had similar plans.

The Crown Estate owns the seabed and has the experience. The UK has the world's third-best wind resources and we should make use of them. The Crown Estate in England, Wales and Northern Ireland is a multibillion-pound business managed by the Crown Estate commissioners. In Scotland, the Crown Estate is managed by Crown Estate Scotland, since the Scottish estate was devolved in 2017. The Crown Estate is one of the largest property managers in the United Kingdom, administering property worth some £15.6 billion, including more than half the UK's foreshore and virtually its entire seabed to the limit of 12 nautical miles.

[Earl Russell]

The Bill seeks to amend the Crown Estate Act 1961 to enable the Crown Estate to continue to fulfil its core duty of maintaining and enhancing the value of the Crown Estate and the return obtained from it, while maintaining the Crown Estate as an estate in land. The Act will continue to be the main legislation governing the Crown Estate.

The Bill broadens the Crown Estate's investment powers and confers a wider power to borrow, subject to Treasury consent. It also makes some changes to the governance of the Crown Estate, in line with modern best practice.

The Bill authorises the Treasury to lend to the Crown Estates commissioners from the National Loans Fund and to provide financial assistance to the commissioners from money provided by Parliament. The Explanatory Notes say that

"the government does not anticipate The Crown Estate borrowing in the short-term. Any borrowing will either be from, or subject to the consent of, the Treasury".

This question is in my speech, but the Minister has already answered on the definition of "short-term". I think he said 10 years or so. How much money do the Government anticipate might be borrowed before 2030? What oversight will Parliament have of this borrowing process?

The Explanatory Notes also say that:

"Further details on the arrangements for lending from government to The Crown Estate will be set out in an updated Framework Document".

Why is this framework document not ready and why are we being asked to approve the Bill without it?

This Bill has only three clauses. I ask the Minister why the decision was taken to present two separate Bills to Parliament. While GB Energy talks of partnerships, this is the only one that has been announced and it appears to be key to GB Energy. Having two separate Bills makes the job of scrutiny harder. Was this about limiting the scope of both Bills or are there other, practical reasons for it?

The Conservatives have left the building. The last Prime Minister decided to play political games with environmental policy. The UK did not gain any additional energy security and bill payers are now paying the price.

The Conservatives have criticised the Bill and the cost, but they would do well to remember the £22 billion black hole that they left behind. Dither, delay and pointless climate culture wars mean that UK energy bills were £22 billion higher over the past decade than they would have been had action been taken earlier. Precious time and inward investment were sacrificed.

The Government need to make sure that GB Energy has the finances to succeed. With a five-year timetable to set up GB Energy, will energy bill payers see the reductions promised before the next election? What actions are being taken to ensure that these plans are not reversed by subsequent Governments?

Why not make GB Energy an energy supplier? The Government are taking a lot of financial risk for little long-term reward. We admit that this helps to leverage investment, but where is the extra long-term benefit if the state does not own or supply anything at the end? Have the Government considered allowing the Crown Estate to waive the licensing fees in exchange for part ownership of the infrastructure? This would provide a continued source of revenue.

The concerns and questions we have relating to this Bill centre on the parliamentary and financial scrutiny. The next offshore wind auction round must succeed after the complete failure in 2023. If it all goes wrong, whose fault will it be? The Crown Estate has all the skills and experience, but how will Parliament know whether the Government are listening to its concerns and taking them seriously?

The UK Government say that they are in discussions with the Scottish Government and Crown Estate Scotland on how GB Energy could help to support new development and investment within Scotland. There are also calls from Wales for similar devolved powers and financial benefits. The Government reply that the more times the overall pie is sliced, the fewer benefits there are for anyone. Perhaps a greater concentration on small community energy projects and increased local benefits offer a way forward? Enabling work and community energy should be at the heart of these plans. The devolution issue feels problematic in this Bill.

Bringing benefits to energy bill payers early in the process is essential to success. Ed Davey has said that the withdrawal of the winter fuel payment is Labour's first mistake. This decision should be reversed, as it will increase fuel poverty. Worse, it sends entirely the wrong message about the future of energy bills at the start of the energy transition.

Are these the only two clauses in the original 1961 Act that need updating? Surely with new powers should come some updated responsibilities. The Scottish Crown Estate Act 2019 provides that the estate must act in a way that is likely to further sustainable development in Scotland, as well as contribute to the promotion or improvement of regeneration, social well-being and economic well-being. Why does this Bill not contain anything similar?

A lack of national grid capacity and investment is also a major stumbling block. There is absolutely no point in creating lots of new renewable energy if it cannot be connected to the grid or it takes years to do so. I welcome the letter dated 29 August from the Secretary of State for Energy Security and Net Zero to ESO, asking for independent advice on the pathway going forward, but this is not a solution; it is simply a request for advice. I encourage the Government to remove zombie projects to help speed up the connections.

We welcome the intentions to strengthen the Crown Estate's ability to develop spatial strategies. Our seabed needs to fulfil many competing functions while maintaining marine environments. Work must be co-ordinated across government. We welcome floating offshore wind, but more work is needed to mature and develop other renewable energy sources.

Finally, misinformation and disinformation are very much part of the environmental space. I wonder whether the link between the Crown Estate's profits and the process of calculating the amount of the sovereign grant is a continued hostage to fortune and whether it might be worth considering some alternative process.

3.58 pm

Lord Turnbull (CB): My Lords, that brings me to the starting point of my remarks. I have no issues with the Bill—indeed, I welcome most of its provisions—although I am unclear on the impact on the sovereign grant if a more highly geared Crown Estate manages to increase net revenue. At face value it would appear that the sovereign grant would be increased, but what is the logic in this?

The sovereign grant was established in 2011, consolidating the Civil List and three other grants in aid into one stream. That change made a great deal of managerial sense. The mystery is that it was stated at the time that the sovereign grant would be set as a percentage of the net revenue of the Crown Estate—initially 15%—but what is the rationale for indexing the sovereign grant on some completely unconnected metric? The sovereign grant is not part of the monarch's income. If it were, it would be taxable. Instead, it is paid from the Exchequer to meet the costs of the monarch's public duties.

Some years later, the percentage was raised to 25% to meet the cost of the 10-year programme of renovating Buckingham Palace. Recently, the underlying cost has been about £50 million, and with that renovation the total is now about £86 million.

Later, the percentage was reduced to 12% when the Crown Estate net revenues boomed through the expansion of offshore wind. In other words, the percentage has been adjusted up or down to keep the sovereign grant at the level agreed between the Treasury and the Palace. We are told that in the current year, 2024-25, the sovereign grant will stay at around £86 million, but in 2025-26 it will rise to £130 million, causing howls of protest and stupid headlines in papers about a 50% pay rise for the King, or showering money on the Royal Family—as in the *Sunday Times*. It makes no sense to boost the sovereign grant beyond what is needed.

Will the Minister, who is smart enough to see through all this nonsense, tell us whether the percentage will be reduced again to get the sovereign grant down to an appropriate level, or whether any surplus overexpenditure—any unspent monies—will be banked in a reserve and taken into account in the next settlement period?

How did this all come about? I suspect that it was a too-clever-by-half ruse by the Chancellor of the time—you can work out who that was—to pull the wool over the eyes of Parliament and the public by implying that the monarchy was meeting its own operating costs from its own resources rather than drawing on taxpayer funds from the Exchequer.

The net revenues have not accrued to the monarch since 1760 when a hard-up Monarch—I suppose that was George III—gave up the hereditary revenues in return for a guaranteed annual payment. That was the Civil List, which has morphed over time into the sovereign grant. In its annual report and accounts, the Crown Estate records the £1.1 billion net revenue as paid to the Treasury

"for the benefit of the nation".

There is no mention of any link with the sovereign grant. In other words, it is perfectly capable of distinguishing between the reality and the spin. It would be much more honest to make a clear separation between the two and settle the sovereign grant at whatever level is required, not on whatever net revenues the Crown Estate adventitiously manages to generate.

4.02 pm

Baroness Young of Old Scone (Lab): My Lords, I too welcome the Bill and the opportunity that it gives for the Crown Estate to make a greater contribution to net zero, but the Crown Estate is a big thing—it has 200,000 acres of land, 12,000 kilometres of coast and a seabed area that is bigger than the combined landmass of England, Wales and Northern Ireland. It is the third biggest landowner in the UK, yet I bet that the vast majority of people in this country have only a very woolly concept of what the Crown Estate does. It keeps its light well hidden under a bushel, which I suspect is a tactic.

We need to recognise that the Crown Estate owns more land than the entire landmass of Luxembourg, and it is particularly important land, because it is marine land, which is clearly hugely important for net zero; it is coastal land—likewise; and it is urban land. So the Crown Estate has even more opportunities to do good for the nation in a multifactorial way than the Bill outlines, and I would like to ask the Minister for further commitments from the Crown Estate in return for these new powers.

I am sure that others will dwell on a number of issues connected with the core purpose of the Bill, particularly how the relationship between the Crown Estate and Great British Energy will deliver the pace and extent of offshore wind, carbon capture and storage, and other net-zero developments that we need to achieve our net-zero targets.

The one I would like to focus on in this area is joining up to the grid. The process of revamping the grid in this country and changing the way in which join-up to the grid happens needs to be fundamentally reformed to become much more agile. It continues to drag behind the pace we need in order to meet the net-zero commitments and to develop a new, more distributed system to join up with the renewables pattern that we are seeing emerging. We cannot be behind the pace on that particularly important item.

We also need to understand how the new powers that the Crown Estate will have will increase investment, not just in seabed leasing partnerships, which have been its stock in trade primarily in the marine area so far, but in technological development, innovation, port development and the development of provisioning systems. Can the Government give us some assurances on all those things and on how the Crown Estate will use its improved investment powers to take them forward?

I shall also focus on beyond the net-zero objectives of the Bill, because the Crown Estate has other strategic objectives. One is the promotion of the natural environment and biodiversity, and one is about communities and urban centres. The Crown Estate briefing on this Bill says that it will unblock investments for nature recovery across its portfolio as a result of the provisions of the Bill, but the Bill and the Explanatory Notes are remarkably silent on how investment for nature recovery will be unblocked. Can the Minister

[Baroness Young of Old Scone]
fill us in on this and on how it will happen? The Crown Estate, as a major landowner, would be a hugely powerful player in biodiversity recovery.

Associated with that, and connected to it, is the role that the Crown Estate is playing in the development of the strategic spatial energy plan. Noble Lords who have heard me bang on about a land use framework will recognise that I am just about to bang on about a land use framework. That strategic spatial energy plan needs to be nested in an overarching land use framework that will allow energy needs for land to be considered alongside the multitude of other land use needs and requirements, such as housing and development, biodiversity, food resilience, flood risk management, other climate change and adaptation needs, timber, trees, green space infrastructure, to name but a few.

The Conservative Government endlessly promised a land use framework but failed to deliver it. The new Government have also committed to such a framework, and I am very grateful for that, but I received an Answer to a Written Question during the Summer Recess that rather disappointed me, and I had no Minister to be able to rant to immediately, because it was very non-specific on dates and seemed to focus primarily on land use issues as defined by Defra and a few CLG issues rather than including energy, transport and other infrastructure needs for land.

Can the Minister tell the House when we might expect the much awaited land use framework, how the Crown Estate and its enhanced powers will be a key player in delivering a land use framework, and how the Government's very welcome commitment to join up policy across government departments will work in this particular area of land use to ensure that we see the needs of all factors in UK public life across all departments in a multifunctional way brought together in a land use framework?

A further principal strategic objective of the Crown Estate is the promotion of communities and urban centres. The Crown Estate is a major urban landowner, as I said. Can the Minister tell the House what requirements will be laid upon the Crown Estate to use its assets of land, buildings and powers, both old and new, to ensure that it helps the nation to turn the corner in delivering not just houses to pace but the right sort of houses? The current speculative developer-dominated system in this country is broken. We do not build enough genuinely affordable houses with a range of tenures. Instead, volume housebuilders wriggle out of commitments to deliver affordable houses using the viability challenge.

The houses we now build in this country are the smallest and meanest in Europe—that has happened over the last 15 years—and they have inadequate environmental standards. Can the Minister assure us that the Crown Estate will be required to play a key role in promoting housing management and building that is affordable, well designed and environmentally progressive, rather than expensive, spatially inadequate and environmentally lacking? I was encouraged by the noble Lord's mention of the work already done by the Crown Estate to make its own estate more environmentally sound and appropriate for future needs. We want to see more of that, both in the Crown Estate's existing estate and in the future development that the Bill will enable it to undertake.

I will make one last point. The Crown Estate is a key player in climate change mitigation but, as a major landowner and property owner, it also has a great opportunity to promote a better way forward in adaptation to the very real impacts of climate change that we are already seeing. I am talking about increased flooding and heatwaves—especially urban heat—as well as challenges to water supply and quality, and increased storminess.

The Crown Estate is a major property owner and developer. It can do much to make land and property more resilient in the face of climate change challenges. The noble Baroness, Lady Brown, who is chair of the Adaptation Sub-Committee of the Climate Change Committee, has reported very critically in successive reports on the lack of progress being made across the board in improving the resilience of this country in the face of climate change impacts. The time has now come to start taking seriously this Cinderella/poor relation on the climate change spectrum. We are simply not making progress on adaptation and we need to do so because the effects are not something that will happen in the future; they are happening now. It is only a matter of time before we will see a serious flood risk incident where lives will be lost—and we will have been asleep at the wheel.

Can the Minister tell us how the Government will ensure that the Crown Estate will step up to the mark and drive forward the big difference it can make, in its roles, to climate resilience in the UK? The Minister very kindly had a conversation with me and other noble Lords. I am sure he will say that this is a modest Bill but, in reality, the Crown Estate is a big opportunity and I hope that we will hear big assurances from the Minister today.

4.12 pm

Lord Bourne of Aberystwyth (Con): My Lords, it is a great pleasure to follow the noble Baroness, who obviously knows a great deal about this area. Her concerns should be taken very seriously.

I declare my interests as set out in the register. I draw the attention of the House to the fact that I chair a charity, namely International Students House, whose landlord is the Crown Estate and has been for some considerable time.

I thank the Minister for setting out so clearly the purposes of this legislation. As we have been hearing, the legislation itself is generally non-controversial; it is the broader canvass against which it is set where questions will arise. Indeed, the last Conservative Government announced plans in 2023 to legislate in this general area in much the same way. It is worth noting that the Crown Estate has itself welcomed the legislation, as do I.

The mainspring of the legislation is to unlock investment in infrastructure to the benefit of the whole of the United Kingdom, doing valuable work on net zero, which I support passionately and wholeheartedly, although some questions do arise. The Minister quite rightly said that certain actions that this legislation will permit—he indicated possible examples such as

investing in the infrastructure of a port, facilitating the development of the seabed, investing in digital mapping of the seabed and carrying on commercial activities on land owned by the Crown—are to be welcomed. Indeed, it was arguably already implicit in the Crown Estate Act 1961 that those activities should happen. What is new is the express power to borrow money.

The Minister indicated why a delay is going to be implicit in this. I think it says in the Explanatory Notes that the borrowing power will not be exercised immediately and he indicated there would be some delay towards the end of the decade. I do not know whether he is able to be more explicit on that. Given that this is a desirable power, and notwithstanding that there are some cash assets available, if it is desirable, it would be good to do it sooner rather than later.

The legislation sets out in Clause 3 that the Bill

"extends to England and Wales, Scotland and Northern Ireland".

It is worth noting, as others have done, that the Bill does not apply to the management of property of the Crown Estate that is managed by the Crown Estate Scotland under the Scottish Crown Estate Act 2019. That is one aspect I wish to concentrate on, because it seems that an issue arises in relation to the Crown Estate in Wales. As I am sure Members of your Lordships' House will appreciate, I am keen that Wales gets a fair deal. I would be interested in understanding from the Minister why it is the view that Wales should not have similar treatment to Scotland.

This is particularly relevant given that any profits made from the Crown Estate Scotland go into the Scottish Consolidated Fund; they do not of course go to the monarch and do not go to the Treasury—or not directly. It would be interesting to hear why that approach is not applied in relation to the devolved Government in Wales and I look forward to hearing on that.

The portfolio of property owned by the Crown Estate comprises, as we have heard, property that ranges from pretty much the whole of Regent Street and much of St James's to 10,000 hectares of forestry and 160,000 hectares of arable and livestock land. But most significant for our purposes is the area of shore between high and low tide and, particularly, the UK seabed. The management of that is really at the heart of this legislation, although, as has been noted by others, it is coupled with another piece of legislation which we need to touch on and examine to some extent: that relates, of course, to Great British Energy.

The context of the Bill is that a partnership between the Crown Estate and Great British Energy to bring forward new offshore energy developments amounting to 20 to 30 gigawatts of new offshore wind projects should reach the seabed lease stage by 2030. That is a great ambition and I certainly support it—it is admirable—but my prime concern, which has been raised by others, is in relation to the capacity of the grid. It seems that the grid is not able to handle that without massive extra investment. This appears to be urgent, so what is the Government's thinking on this?

The new scheduled division of the Crown Estate, to be called Great British Energy: the Crown Estate, will have the potential to deliver these new projects which I have mentioned. Great British Energy is also to be based in Scotland; Scotland seems to be doing rather well out of all this and I hope that Wales can do similarly. In addition to government borrowings, there are hopes of accessing private finance. What level of private finance are we hoping to leverage here? As I say, I support this very much, but it is important that we know the parameters here. What are we looking at and what sort of commitment are we making? I also entirely support the reduction in the time needed to get these wind projects operating, but how is this streamlined planning to be achieved? Again, what is the cost to the public purse of that? I support it, but we need to know how much it is costing.

I would certainly like to hear from the Minister in relation to capital finance and on the issue relating to devolution and Wales. I will also associate myself, if I may, with what my noble friend Lord Young of Cookham said about bona vacantia. Here is another issue that is not mentioned by the legislation but is very relevant while we are looking at the powers of the Crown. Of course, this is not the Crown in any personal sense but it raises the issue of why any body—any institution within the United Kingdom—should be subject to different rules. This vital issue of the rights of and undertakings given to leaseholders, and of bona vacantia, needs looking at in that context. With those concerns, I certainly otherwise support this legislation wholeheartedly and look forward to the Minister's response.

4.19 pm

Lord Wigley (PC): My Lords, I am delighted to follow the noble Lord, Lord Bourne of Aberystwyth, and I agree with him that we must certainly consider the broad canvas against which this Bill comes before us. I thank the Minister for his courtesy in offering meetings last week to discuss the content of the Bill. I was not able to take advantage because of family commitments, as is obviously a problem at holiday time, but I was delighted that my noble friend Lady Smith of Llanfaes was able to go along. We both hope to play a role in further discussion of the Bill at its later stages.

I am glad that the Government are bringing forward a Crown Estate Bill, but I am less happy about its content—or, rather, what is missing from it. The noble Lord, Lord Bourne, touched on this, certainly as far as Wales is concerned. I note that the Crown Estate's assets in Wales extend to 65% of the Welsh foreshore and tidal riverbeds, including the key port of Milford Haven, a number of marinas, 50,000 acres of common land and tidal streams such as Bardsey Sound and Ramsey Sound.

I should mention that my Private Member's Bill, the Crown Estate (Wales) Bill, is awaiting presentation. I had resolved to put it forward several months ago. That was before I knew that there would be a new Government and that they were also minded to legislate on these matters, but that is something for another day.

I have listened carefully to the case that has been made for the government Bill, both in what it contains and in the rationale presented to the House by the

[LORD WIGLEY]

Minister opening this debate. I will address what I regard as a missed opportunity in not proposing in this Bill matters that Senedd Members of all parties in Cardiff have demanded be devolved—in particular, provisions that members of the Labour Government in the Senedd have supported. This Bill has a broad Long Title:

"A Bill to amend the Crown Estate Act 1961".

As such, it could act as a vehicle to meet those concerns. I am glad that the noble Earl, Lord Russell, referred to the concerns felt in the Senedd.

My own detailed proposals, provided for by my Private Member's Bill, are a matter for another day, but certain aspects of them may arise at later stages on this Bill. First, there is the generality of the provisions of the Bill before us. It has been presented on the basis that there is a need to modify existing legislation to improve the effectiveness and contribution of the Crown Estate. I note in particular the important points made by the noble Lord, Lord Young of Cookham, in relation to leasehold property.

The briefing note supporting this Bill states that it will reform the management of the Crown Estate to enable its long-term strategy to support the nation. According to Clause 3, the Bill

"extends to England and Wales, Scotland and Northern Ireland",

but Crown Estate Scotland was devolved under the Scotland Act 2016 and nothing in the Bill amends that Act. Quite clearly, in the Government's mind it is possible for Crown Estate Scotland to be a fully devolved function, while at the same time the Bill can extend to Scotland.

The briefing note published by the Crown Estate states that it occupies a space between public and private sectors, managing a diverse portfolio stretching across England, Wales and Northern Ireland, to create lasting and shared prosperity across the nation. The map that appears on that briefing sheet shows an empty space as far as Scotland is concerned. Assuming that the Government do not intend to reverse the devolution of the Crown Estate to the Scottish Parliament, presumably there is nothing incompatible between this Bill and its interpretation by the Crown Estate. That being so, can we take it that nothing intrinsic to the Bill militates against or prevents the devolution of the Crown Estate in Wales to the Senedd?

I understand that the Westminster Labour Party has not yet made that concession to Wales, although it has support within the Welsh Labour Party, as I shall clarify in a moment. If, during this Parliament, the UK Government respond positively to requests from their colleagues in Wales for the devolution of the Crown Estate in Wales to the Senedd, nothing in the Bill precludes that possibility. If that is so, it is all well and good and I do not demur from the general objectives of the Bill, although no doubt specific details will need to be addressed in Committee. Issues have already been highlighted by noble Lords, and no doubt others will emerge.

I turn now to the central issue, as far as I am concerned. It is of central importance to my party, Plaid Cymru, and it has been raised on many occasions in Wales over the past three decades. It is the fundamental issue that control of the Crown Estate in Wales should be in the hands of Senedd Cymru, and the financial benefits from it should aggregate to Senedd Cymru and the Welsh economy.

When the establishment of the National Assembly took place through the Government of Wales Act 1998, a considerable element in the momentum generated in support of that Act arose from a widespread perception that the resources of Wales—our coal, minerals and water resources—had historically been exploited for the benefit of others. I particularly note the drowning of the Tryweryn valley to enable Liverpool to profiteer by selling water on to industrial customers. That one Act—passed by Westminster in the face of the opposition of every Welsh MP bar one, who abstained—fired up the national movement that led to devolution.

Many people in Wales today see the insistence of politicians in Westminster that the Crown Estate in Wales remains under UK control as a re-run of the battles regarding water resources half a century ago. That is reflected in the debates in the Senedd. For example, in January 2022 the then Labour Climate Change Minister, Julie James, said of the Crown Estate that it is

"outrageous that it's devolved to Scotland and not to us".

Speaking in the Senedd last year, she said:

"It's very clear from the latest annual report and accounts that the Crown Estate benefits significantly from its assets in Wales and our offshore waters. It's also clear that the United Kingdom as a whole benefits from the income that is generated and the investment that the Crown Estate supports. But it is sadly not at all clear exactly how much Wales benefits from these incomes generated, and it's our view that we need greater control of the Crown Estate in Wales to ensure that the scale of its activities generates much greater benefit to Wales and brings into much closer alignment the management of its assets and resources in Wales with our distinct Welsh policy".

That was a Labour Minister in the Senedd in Cardiff. On that occasion, Labour supported Plaid Cymru's Motion in the Senedd calling for the devolution of the Crown Estate and its assets in Wales.

In the Welsh Labour Government's response in March this year to the recommendations of the Independent Commission on the Constitutional Future of Wales, chaired by Archbishop Rowan Williams, they stated:

"Our longstanding position is that the Crown Estate should be devolved to Wales in line with the position in Scotland".

That is the long-held view of the Labour Government in Cardiff.

In a Senedd debate, the Conservatives called on the Crown Estate to engage with the Welsh Government to deliver a hydrogen strategy for Wales, a Welsh national marine development plan, a blue carbon recovery plan for Wales and support for small-scale hydroelectric schemes in Wales.

The arguments for devolving Crown estates in Wales are not restricted to financial considerations but are directly relevant to the Senedd's environmental responsibilities. In particular, there is significant further potential off the Welsh coastline to develop floating offshore wind generation of electricity, with associated on-land job opportunities that could be so valuable to the Welsh economy. This is a key dimension in Wales's green strategy, and my noble friend Lady Smith of Llanfaes may well expand on this. In fact, there is near

unanimity in the Senedd that the revenues from the Crown Estate in Wales should be directed to meet the social, economic and environmental strategies supported by parties across Wales—although there are of course differing views on the mechanics by which that should be achieved.

The reluctance of the UK Labour leadership to give any commitment to Wales in these matters during the recent general election was a cause of considerable embarrassment to the Welsh Labour Government and to their Senedd members. In 2022-23, the net profits generated by the Crown Estate from its overall activities amounted to over £440 million, some of which emanates from activities in Wales. Not a single penny stays in Wales. This is not an enormous sum, but the scope for developing economic benefit from these assets is huge. The Welsh Government want to maximize the benefit for Wales from our natural assets. To keep a stranglehold over them in the hands of the Crown is little short of exploitation, and the economic exploitation of our country carries a certain resonance in Wales. To avoid such unnecessary bitterness and hostility, as well as for better co-ordination of public policy, control over the Crown Estate in Wales should be in the hands of the Senedd, as it is in the hands of the Scottish Parliament for activities in Scotland—a step that was supported at the time by the Labour Party.

These considerations will become increasingly important. There are currently three offshore wind farms in the Welsh sector of the Irish Sea, and two more are being developed in the same area off the northern Welsh coast, with the Crown Estate expecting to place a further four gigawatts by 2035, with an additional 20 gigawatt potential thereafter. In 2023, the House of Commons Welsh Affairs Committee, in its second report, *Floating Offshore Wind in Wales*—HC 1182—stated that

"floating offshore wind in the Celtic Sea represents perhaps the single biggest investment opportunity for Wales in decades with the potential to create thousands of high-quality, long-term jobs",

if government makes this a reality. However, it warned:

"Local supply chains did not benefit from the rollout of conventional, fixed-bottom offshore wind",

and there have been numerous calls not to repeat this failure. That is where the role of the Welsh Government is absolutely essential.

Over the past two decades, the proportion of purchases made by government in Wales, from Wales-based suppliers, has grown from some 30% to over 50%, with a target of 70%. This means supporting more local jobs and helping local economic survival. When such matters are managed from outside Wales, we invariably see contracts being placed with suppliers outside Wales. Clearly, there has to be value for money and proper maintenance of standards, but the Senedd is quite capable of doing this. When such matters are devolved, the interests of the Welsh economy are foremost. That is why there is now a cross-party demand that these responsibilities are devolved. Please will the new Government show that they have faith in the Senedd, and in the Welsh Labour Government, and move forward with devolving the Crown Estate for this very purpose?

I ask the salient question: why was it deemed appropriate to devolve responsibility for the Crown Estate in Scotland by way of the Scotland Act 2016—an Act that had been fully supported by Labour Members in both Houses—yet it is deemed inappropriate to devolve to Wales similar responsibilities? I shall be grateful if the Minister, in responding, will address this aspect and, at the very least, undertake to discuss these issues with Eluned Morgan—the noble Baroness, Lady Morgan—and her colleagues in Cardiff.

4.33 pm

Lord Liddle (Lab): My Lords, it is always a pleasure to follow the noble Lord, Lord Wigley. I share many of his values, but it is too dangerous and difficult for me to get into the questions of devolution that he raises. I wish him the best of luck.

When I first looked at this Bill, I thought that it was rather a minor and technical Bill, and was not really worth speaking on, if you see what I mean. What excited me to make me think that this was an important Bill was the announcement, in July, of the partnership between the Crown Estate and our newly established Great British Energy. I was a little disappointed that in my noble friend's excellent introduction to the Bill he did not focus on that more. It seems to me that the change in borrowing powers and the requirement that the Crown Estate takes a more proactive role, particularly in our struggle to reach net-zero electricity generation, are the really interesting aspects of this legislation, along with what the extra borrowing power that the Crown Estate will have will mean in practice.

Given that this partnership with Great British Energy has been announced with such fanfare, it has to be said, with objectives to invest in ports and new technologies, and to take a more proactive, leading role in the development of the seabed and of wind and offshore wind, why is it that we are not proposing to borrow any more until the end of the decade? There seems to be a fundamental contradiction there: if we want to reach the 2030 goal then we are going to have to do something about it, not in five years' time but now. I will be very interested in my noble friend's response on that point.

If the Crown Estate is to take on these new responsibilities, there will have to be a change of culture. My father-in-law was a Crown Estate commissioner, and it is fair to say that it was a very conservative—with a small "c"—institution, extremely cautious in everything that it did. If it is going to do the things that were announced in the partnership with GBE in July, it will have to have a complete change of culture and become a more enterprising institution. Is that what is envisaged?

It is interesting that provision is made in the Bill for an additional four Crown Estate commissioners—presumably, this is to bring in the kind of expertise that the Crown Estate presently has. That is essential, particularly to bring people in from the private sector. In effect, if the ambitions of this partnership are right, we are talking about the Crown Estate becoming part of what will be a risk-taking investment business—and that requires expertise.

[Lord Liddle]

A lot of people think that investment in wind is a no-brainer, but tell that to the Siemens board, which at the moment is struggling with having to make billions of pounds of provision for the fact that its turbines have been shown to have major flaws. This job has to be extremely well done, by private sector people working with the Crown Estate and Great British Energy, and that means recruiting people who are able and not constrained by public sector salary constraints. Is this what is planned, or are we getting carried away with an excess of ambition about what might happen? I do not know; it is very difficult to tell.

Other noble Lords have mentioned that one of the constraints on the Crown Estate becoming a developer of offshore wind is the lack of grid connection. Something is actually being done about that. I was very interested that Ed Miliband, as the Secretary of State, has asked the National Energy System Operator—one of the good things that the Conservative Government did was to bring that into public ownership, so it is now a public body—what is needed to deal with the problems of grid constraints. Where does this Crown Estate partnership fit into that?

I also noted what the noble Lord, Lord Wigley, said about offshore developments in the Celtic Sea off the coasts of Wales and the south-west. When I was on the European Affairs Committee and we were looking at the role of co-operation between the UK and our continental friends, one of the great opportunities was in the North Sea—on the other side of our country. The concept of wind power linked to interconnectors that go across the North Sea is very attractive because if too much electricity is generated by wind on one side of the North Sea, it can be sold in markets on the other side and vice versa. Is this prospect being seriously examined? What would be the role of this partnership between the Crown Estate and Great British Energy?

I am an optimist about this. I want to think that we will be bold and get something done on our net-zero target by 2030. I hope that, in its minor way, this Bill might make a significant contribution.

4.41 pm

Lord Howard of Rising (Con): My Lords, it should be a matter of concern that the Crown Estate, an entity with which the sovereign has such a close association, should be used for political purposes, however good and noble the intention may be. The Crown is apolitical and the Crown Estate must surely come under this umbrella. To not only use existing resources but to arrange to borrow to further a political ambition only compounds the error of judgment. It is out of order and, in my view, unconstitutional. This is not a criticism of the Government's wish to have more wind farms and to generate more clean energy; it is a strong criticism of breaking convention and risking politicising the Crown.

I am sure that the thought has not crossed the present Government's mind but if a Government of the day wished to conceal their level of spending, they could, under the proposed arrangements, lend to the Crown Estate, call the loan an asset and ask the Crown Estate to do the spending on their behalf. Doing so would allow them to camouflage spending by calling it a capital asset.

Over the past few years, commerce has been littered with large, prosperous companies which increased borrowings to modernise—and then failed. A notable example is the General Electric Company—GEC. When its long-standing managing director, Lord Weinstock, retired, it had £4 billion in cash. Lord Simpson took over, modernised and reviewed the whole company and within two years had managed to bankrupt it. When I read in the Explanatory Notes to the Bill:

> "The intention behind the power to borrow is to enable The Crown Estate to invest to maintain and modernise its Estate to ensure it can continue to operate successfully in the modern commercial environment",

I take a deep breath.

I thought the comments made by the noble Lord, Lord Liddle, on the difference in expertise between the people currently running the Crown Estate and the expertise required to make money commercially were very relevant.

Why is it necessary for an organisation as prosperous as the Crown Estate to borrow in order to continue to operate successfully in the modern commercial environment when it already does so? There is no reason. Its continued success is more secure if it has no such borrowings.

If owned assets are to be developed, the existing income for the Crown Estate, together with cash from the proposed commercial operator, should provide adequate resources. If it is not a project for which a partner can be found, it is questionable whether the Crown Estate should be going ahead, both in the future and today; we should bear in mind the extent of government money being pumped into energy through Great British Energy. While it is true that borrowings can enhance success, they can also sink companies. The track record of Governments, regardless of political persuasion, in choosing winners does not provide any reassurance.

If the Crown Estate really does have a genuine need to borrow to upgrade its facilities, there must be, as there is in virtually all enterprises, a limit on borrowing. This can be expressed in various ways, but I would suggest to the Minister that a limit could be set as a percentage of capital reserves; for example, 10% would allow £1.5 million of borrowings.

It could be argued that as the Crown Estate would be borrowing from the Treasury, there would be no need for a limit on borrowing because the Treasury could impose the necessary discipline. However, I refer your Lordships to the point I made earlier: lending to the Crown Estate could be used to conceal government spending. A limit on borrowing would significantly reduce the risk of abuse.

To summarise, there are three strong reasons why the Bill is unsatisfactory. The first and most important is that the Crown, even at one remove, should not be associated with a political act or ambition. The second is the potential abuse of the proposed borrowing facility in allowing the Government to disguise current spending as a capital asset. The third is that unlimited borrowings can be just as harmful as beneficial and there should be some control over this.

I hope the Minister has considered fully the ramifications of this legislation in its present form, and will address the concerns I have raised.

4.48 pm

Baroness Hayman (CB): My Lords, I declare my interests as chair of Peers for the Planet and as a director of the associated company. I, like others, congratulate the Minister both on his appointment and the clarity with which he introduced the Bill. I was grateful for the opportunity to discuss some aspects of the Bill with him last week.

Tempting though it is, I will not follow the argument of the noble Lord, Lord Howard of Rising, with which I did not agree. I look forward to the Minister taking on that challenge. I will—as the noble Lord, Lord Young of Cookham, predicted—address my remarks to the environmental, energy and biodiversity aspects of the Bill. I believe it is an important step on the road of turning aspirations in this area into delivery, and it is delivery we are going to need in the years taking us up to 2030 and beyond.

Despite that focus, I was extremely interested in the points raised by the noble Lord, Lord Young of Cookham, on governance, and by the noble Lord, Lord Turnbull, on the basis of the sovereign grant. I look forward both to the Minister's response and, perhaps, to discussing those issues in Committee.

The King's Speech briefing promised:

"This Bill will modernise The Crown Estate by removing outdated restrictions on its activities, widening its investment powers and giving it the powers to borrow in order to invest at a faster pace".

Alongside that, the Crown Estate's own strategic objectives make clear its mission of

"supporting the UK towards a net zero carbon and energy-secure future"

and

"stewarding the UK's natural environment and biodiversity".

So this Bill gives us the opportunity to look at the reforms in the context of the UK's progress towards net zero and the part that the Crown Estate can play in helping with the delivery of the Government's wider net-zero policies and aspirations—which are clearly already the aspirations and policies of the commissioners themselves.

If we are to achieve those aspirations, as has been said many times, we need to have cross-cutting measures that span and interconnect a wide variety of sectors and bodies that need to work positively together to achieve our statutory obligations and the progress that we want to see. There is a complicated jigsaw to put together here, and the Crown Estate is a critical and important part of that wider net-zero jigsaw.

As others have said, the Crown Estate is also an organisation that makes a not insignificant contribution to the government purse and whose investment firepower has the potential to make a difference in tackling the dual climate and nature crisis, which the Government have recognised as

"the greatest long-term global challenge that we face".

To rise to that challenge, we need not only to integrate the work of all government departments—which, frankly, is difficult enough in itself—but to recognise the potential contributions and responsibilities of all UK organisations with a public role and that discharge important public responsibilities, which clearly includes the Crown Estate. I hope that in Committee we can explore how we can combine the rightly valued independence of the Crown Estate and its commissioners with ensuring that the legislative proposals contained in the Bill contribute to what the Crown Estate itself acknowledges is at the core of its strategic activities. It underlines the need

"to make a positive impact for net zero, nature and communities while creating financial value for the UK".

Both the Crown Estate and the Government are clearly on the same page on this, yet the fundamental duties of the Crown Estate have not been updated over the last 60 years. I hope that there will be opportunity to discuss how we can acknowledge the shared understanding that we need not only to drive up renewable power generation but to better mitigate and adapt to climate change while creating space for nature-based solutions and natural capital. Those points have already been clearly made.

As a number of others have also made clear, the new borrowing and investing powers that the Bill gives to the Crown Estate clearly have the potential to contribute to the delivery of a low-cost, secure and flexible renewables-led energy system. However, it is important also to recognise, as the Climate Change Committee has said, that there are advantages to protecting the UK's marine and coastal environments, given that they

"represent potentially very large natural carbon stores and may provide extremely efficient carbon removal".

If we are imaginative and committed, we can ensure that the aims of generating renewable energy can go hand in hand with other aims, particularly in respect of our responsibilities to the natural environment and nature-based solutions for both the seabed and land. With a joined-up strategic approach, there are major opportunities for achieving both.

However, there will inevitably be times when these priorities may be perceived to be in competition with one another and times when it will then be important that we make decisions, and that we do so in a transparent way. This need not impinge in any way on the independence of the commissioners' decision-making. Indeed, the provisions on the Crown Estate's independence, set out in the 1961 Act, are extremely robust and will remain in place. Rather, it is a clearer and better articulation of what value and good management mean in the long term.

We are now getting to the stage where the detail of how we deliver the transition to clean energy really matters, and the Bill is a positive opportunity to link how the Crown Estate will achieve both delivering more renewable energy and infrastructure, while at the same time navigating the best ways to protect and enhance our natural environment. Drawing these different aspects together clearly in the context of the Bill would ensure transparency to the Government, the public, developers and wider stakeholders around how different considerations are being factored into decisions when the inevitable arguments arise about, for example, where to site projects, the need to preserve views of the countryside and to protect wildlife species, and how to balance those views against the opportunities for more

[Baroness Hayman]
clean energy, job creation and green growth—and, of course, the ever-present need to provide value for money for the taxpayer.

Both our nature and our energy aspirations need to be in the context of other broader issues: most obviously, as has been described by others, the interface and interaction with the urgent work on upgrading the transmission grid and securing our skills pipeline, so that the 20 gigawatts to 30 gigawatts of offshore wind the Crown Estate believes it can unlock is connected up to the places it needs to power.

So, I am afraid that it is not a simple jigsaw puzzle to fit together. However, the Bill gives us a chance to review the Crown Estate's role in the context of not only enabling more offshore wind as an end in itself but rather as part of the whole landscape of net zero and environmental solutions that we will need to deliver in order to achieve our own environmental and climate targets and to lead from the front on the global challenges we face.

We are taking important and necessary steps with the Bill but we could make a major leap forward if we commit and understand that contributing towards the delivery of climate and environment targets is secured within the remit of all our institutions with a public function, and especially those with substantial investment muscle to generate public value, and that includes the Crown Estate.

4.58 pm

Lord Teverson (LD): My Lords, I declare an interest as chair of Aldustria Ltd, a very modest battery storage company which is plugging into the grid, as that is around a grid connection as well. As the noble Lord, Lord Liddle, said, some good work got done over the last year, in terms of not just grid connections but setting up the National Energy System Operator; it might be publicly owned, but I think National Grid still has responsibility for it. I would be interested to hear from the Minister about when the national energy system operator will operate from; it was due to be this summer, but I do not think it is quite going yet.

I thank the Minister for his time talking about the Bill at the end of last week. I think I welcome the Bill. I absolutely welcomed it to begin with but, as with all Bills, the more you get into it, the more you understand its limitations and perhaps some of the questions that arise.

The first subject I want to talk about is geography. I am afraid that I am going to talk about not Wales—I will come to Wales later, maybe—and not even Cornwall, but Scotland. It seems slightly strange that quite a large proportion of future offshore wind, which a lot of the Bill is about, is going to be in Scottish waters, and, as I understand it, GB Energy is going to be a Scottish company not an English one. There seems to me a disjointedness about the Bill ignoring Scotland—although it says that it includes Scotland, but not the Scottish Crown Estate—and the fact that GB Energy and a lot of future development will be north of the border.

My question to the Minister is: what discussions have taken place with the Scottish Government about extending the same freedoms to the Scottish Crown Estate? I specifically ask whether the option of using a legislative Consent Motion to allow amendments to the Bill to deliver that parity of treatment have been considered. Something like that seems necessary to bring the aspiration, which I think we all welcome, about offshore wind and its contribution to the renewable energy targets into the future—and by 2030 in particular.

The other area I want to talk about is the financial side—with some trepidation, as I am sure that my noble friend Lady Kramer will probably put me right after this debate. I come back to the point made by the noble Lord, Lord Howard: the reality is that the Crown Estate is just a wholly owned subsidiary of the Treasury. It is nothing to do with the Crown. Even the proportion that then goes to the Royal Family to do what it needs to can be altered each year—the percentage does not always stay the same. It is an animal of the Treasury, and we should see it as that.

One of the questions that struck me when going through the Bill about re-energising investment through the Crown Estate is that the money it spends, whether investment or current expenditure, is part of the public sector borrowing requirement, so what is the need to do this? Anything the Crown Estate needs to do, you might as well do through a government department anyway. It does not seem to me to make any difference so far as public expenditure.

There is, then, an issue—it comes back to some of the things that other noble Lords have spoken about—about transparency. The Crown Estate is not as transparent as many government departments, even the Treasury itself. Does this in itself become an issue? On finance, even on investment, as we have seen over the last one or two years, the amount that the Crown Estate can retain has been changed, for the capital account, from 9% to 27% to get around existing issues. Why cannot we just do that in future, so that the Crown Estate can benefit from its own cash flow, in terms of the capital account? In some ways, this seems to be complicated financial engineering that may not be necessary, but that is not a fundamental point.

The responsibilities of the Crown Estate—the Minister talked about them—are set out very well in its annual report, around net zero, natural resources and community. Perhaps we could look at some of those. On net zero, I really welcome the Government's aspiration to bring forward investment, particularly in offshore wind, by preparing the case—environmental studies and all the rest of it that needs to be done beforehand. I was going to say that the Government will make it "oven-ready", but that is rather a discredited phrase these days. Other European nations have done that. It must take a lot of effort, risk and timescale out of actually delivering those projects, so I very much welcome that.

I also welcome what is I think an aspiration—the Minister can put me right if not—around making licensing and obtaining the finance, bringing together the Crown Estate and the Low Carbon Contracts Company. Perhaps the Government can say whether that is one of their aspirations.

I welcome that ports in the supply chain will be invested in. However, much of the development will be in the other area which we were talking about, the

Celtic Sea and the west coast. In the North Sea, a key issue has developed over time: a spaghetti of underwater cables. The EU is trying—we have now been included in the conversation—to make a grid and interconnectors, as has been mentioned already in this debate. It is incredibly important that we do not replicate that in the Irish Sea and the Celtic Sea. We should co-operate very strongly with the Republic of Ireland to ensure that is not the case. What has been forgotten—I almost expected the noble Baroness, Lady Hayman, to bring it up—is that the Crown Estate has a lot of terrestrial resources. Therefore, is it going to promote onshore wind as well, now that the Government, quite rightly, are liberating the planning conditions for onshore wind?

I will move on briefly to natural resources and biodiversity, raised by the noble Baronesses, Lady Hayman and Lady Young of Old Scone. In Cornwall at the moment, there are a large number of applications for seaweed farms. This is part of the Crown Estate trying to be more commercial, yet I do not believe that it is doing that within a context of understanding the ecology of the territorial waters or any of that side. It concerns me that it needs to understand the biodiversity issues around some of the commercialisations that it is looking at. More importantly, perhaps, it always strikes me that, as we know, the Crown Estate owns the territorial waters out to 12 miles. It has a slightly different relationship in our EEZ beyond that.

The 1961 Act imposes that the Crown Estate should maintain the value and condition of its investments. What it has never done, as I understand it, is intervene regarding fishing techniques such as bottom trawling or scallop dredging. It has the ability—that is its property—of pushing forward those vital marine and oceanic conditions where we keep biodiversity. Also, on net zero, whether it is seagrass, maerl or other forms of seabed vegetation, it is not a proper custodian of those resources. Only some 2% of marine protected areas are protected in terms of bottom trawling. That is absolutely not right on biodiversity and our net-zero gains.

Lastly, on community, all I will say follows the debate that we have had on Wales. Where there is offshore development—for example, the Celtic Sea and the Irish Sea—why is there not the equivalent, as there was in Shetland, of a regional wealth fund or a feeding back from those developments to regional communities? That is one of the things that I think will be demanded of this expansion of energy that we require. Through all this, we can have a better ecology, we can get closer to net zero and we can have a community that comes along with this legislation.

5.09 pm

Baroness Smith of Llanfaes (PC): My Lords, I thank the Minister for the way in which he introduced the Bill and for the constructive manner in which he has approached initial proceedings, including the offer of meetings last week to discuss the Bill. In my contribution today, I will view the Bill from the perspective of its implications for Wales. I have listened carefully to Members from across your Lordships' House, and I look forward to hearing from more Members.

I will first add comment to some of the contributions heard so far. My noble friend Lord Wigley raised important questions on learnings from the Scotland Act 2016 and the great opportunities in Wales to expand green energy through local supply chains. I look forward to his Private Member's Bill shortly.

The noble Earl, Lord Russell, pressed for the exploration of devolving powers over the Crown Estate to Wales, and the noble Lord, Lord Bourne of Aberystwyth, questioned whether Wales is getting a fair deal. I share their interest on that matter. The noble Baroness, Lady Hayman, also raised important questions in relation to the role that the use of the Crown Estate plays in contributing towards our net-zero goals. I look forward to hearing more in future debates.

I want to address the way in which this legislation does not deliver fairness for Wales, and I will begin by outlining four issues. First, rising Crown Estate profits will not be retained in Wales. The Crown Estate in Wales is seeing rising profits as the demand for renewable energy projects increases. The Bill as it stands will not ensure that these profits are retained for the public purse in Wales; rather, they will go directly to the Treasury and contributing to the sovereign grant. This contrasts with the situation in Scotland, where the Crown Estate is devolved and profit is transferred to the Scottish Government.

Secondly, the proposed changes to the Crown Estate board do not include Welsh representation. The Bill proposes to expand the number of Crown Estate commissioners, yet there is no requirement for a certain number of these to represent Wales. Expanding the membership and changing the way their salaries are paid does not address the fact that membership of the Crown Estate board is largely outside democratic control, as it is the monarch, not Parliament, who appoints the commissioners who make investment and borrowing decisions.

Thirdly, expanding investment and borrowing powers for the Crown Estate may undermine the Welsh Government. The Bill proposes to expand the investment and borrowing powers of the Crown Estate, seemingly without any cap or limits on the amount that can be borrowed with the consent of the Treasury. I agree with the calls from the noble Earl, Lord Russell, to have sight of the draft framework from the Treasury. Meanwhile, the Welsh Government have a cap on their borrowing powers under the Welsh fiscal framework. As the Crown Estate is being vested with new borrowing powers to perform duties such as investment in ports and the seabed, there is a risk that this may undermine the Welsh Government's ability to shape economic development in Wales, particularly given their limited borrowing powers.

There are a number of areas where the Welsh Government may overlap with the Crown Estate's responsibility for conducting early development for offshore wind, such as the Welsh national marine plan, devolved responsibility over Welsh ports and responsibility for education in Wales, including skills and apprenticeships, which may form part of the supply chain for offshore wind developments.

Finally, the Bill does not make provisions to promote the economic or social well-being of Wales. It does not put any conditions on the investments that the Crown

[Baroness Smith of Llanfaes]

Estate will make. There is no guarantee that Welsh supply chains will feel the maximum benefit from the investments made or that these investments will promote the goals of the Well-being of Future Generations (Wales) Act 2015 and other Welsh policy aims. The Scottish Crown Estate Act 2019 legislated to ensure that management of the Scottish Crown Estate assets must be done such that it is likely to contribute to the

"economic development, regeneration, social wellbeing, environmental wellbeing"

of Scotland. There may be a missed opportunity in this Bill to apply similar duties to the borrowing and investment powers of the Crown Estate. It may also be argued that the Bill's proposals to require commissioners to be paid out of the profits of the Crown Estate, instead of a salary agreed by Parliament, creates a profit motive that risks superseding other goals, such as environmental and well-being ones.

I hope your Lordships' House will consider those four points when we proceed to Committee on the Bill.

I now turn back to my first point regarding profits not being retained in Wales. As your Lordships' House knows, the devolution settlements in Wales and Scotland differ on the Crown Estate, as has been outlined by my noble friend Lord Wigley.

I ask the House to consider whether that is fair for Wales. The Crown Estate's assets in Wales were valued at more than £850 million in 2023, yet all profits go directly to the UK Treasury. I grew up on the coastline of north Wales, near wealthy seabeds where poverty is rife and families continue to struggle to make ends meet.

In Scotland, the Crown Estate assets were valued at over £650 million, and the profits go to the Scottish Government. According to its latest annual report at the end of 2023, the Scottish Crown Estate had generated £103 million for the Scottish Government's purse. A portion of net revenues generated from the Scottish Crown Estate's marine assets are allocated to councils to support community benefit projects in their areas. In 2023-24, this amounted to £11.1 million. Higher amounts of this money were given to rural and relatively deprived areas in Scotland, such as £1.7 million to the Shetland Islands, £2.8 million to the Highlands and £1.5 million to Argyll and Bute. Imagine how such a funding structure could benefit communities in Wales.

In its entirety, the Crown Estate made a record £1.1 billion net revenue profit in 2023-24. That was £660 million higher than in 2022-23. I recently asked the Minister a Written Question on this topic, and the idea of devolving the Crown Estate to Wales was challenged. The Minister said:

"Introducing a new entity would fragment the market, complicate existing processes, and likely delay further development offshore, undermining investment in Welsh waters".

I ask him to reflect on the success of this in Scotland. It is proof of concept that a devolved Crown Estate does not impede investment by fragmenting the market. The value of the Scottish estate has risen from £568 million to £653 million in the last year alone, through its various initiatives and investments.

I am speaking on behalf of Plaid Cymru, but I know that many share this position to devolve the powers of the Crown Estate to Wales. Last year, YouGov found that 58% of people supported devolving the Crown Estate to Wales. There is also widespread political support from within Wales, as your Lordships have briefly heard about.

The organisations that support devolving the Crown Estate include the Independent Commission on the Constitutional Future of Wales, which said that the Crown Estate

"should become the responsibility of the devolved government of Wales, as it is in Scotland".

The National Infrastructure Commission for Wales said:

"By 2030, The Crown Estate's functions in Wales should be completely devolved to a new body that has as its principal aim the reinvestment of all funds in Wales for the long-term benefits of the people of Wales in the form of a Sovereign Wealth Fund".

The Welsh Government said:

"Our longstanding position is that the Crown Estate should be devolved to Wales in line with the position in Scotland. We have been clear that the current devolution settlement for energy limits our ability to deliver policy in Wales in a way that reflects our policy priorities and the needs of future generations".

The Bill before us fails to deliver fairness. Constitutionally, we should support Wales to be on an equal footing with Scotland, as there is currently asymmetry in powers between the two nations when it comes to managing their natural resources. We have the opportunity to right this wrong and deliver fairness to Wales. I hope that the House considers these issues ahead of Committee, and I look forward to hearing the Minister's initial response to them.

5.19 pm

Lord Berkeley (Lab): My Lords, I am very grateful to my noble friend for his introduction to this Bill. I congratulate him. He has a challenge. He said that the Bill will bring the Crown Estate into the 21st century; he has some way to go, as many of the speeches that noble Lords have made have shown, but it is a good start. My remarks will include comments about the Duchy of Cornwall and the Duchy of Lancaster, because they all come under the Crown. I have a number of questions which I would be very grateful if my noble friend could answer at some stage, either tonight or later.

I suppose I start with geography. Many noble Lords have talked about the seabed, but where is the boundary between what is sea and what is land? Is it high water or low water? Other noble Lords, including the noble Baroness, Lady Smith, and the noble Lord, Lord Teverson, mentioned what you can do on those bits of water. I have one small example from the Helford river in Cornwall, where the Duchy of Cornwall, which claims to own it, introduced Japanese oysters, which had the rather stupid result not only of those oysters dying but of killing all the other native oysters on the river. One of my neighbours took the Duchy to court and said, "You haven't done an environmental study on the effect that Japanese oysters might have on the other things in the water and everywhere else". The secretary of the Duchy of Cornwall, who has now retired, made the classic remark to the tribunal, "To all intents and purposes, we believe that we are above the law". I call that arrogant, and I shall come back to it later.

We had another problem with what the Crown Estate should, could or could not do in our discussions on the Offshore Petroleum Licensing Bill, on 23 April. A number of noble Lords were not very happy that the Minister tried to allow offshore oil drilling to take place in marine protected areas—that is at col. 496. The noble Lord, Lord Callanan, who is not in his place, basically said that drilling for oil was really much more important than the advice from the JNCC—the statutory committee from Defra—which said that we should not do it. I wonder how the Crown Estate and the Government would look on that in the future: is drilling for oil more important than protecting the marine environment? What criteria should one use?

We have not discussed so much the sideline of how much money the Royal Family gets from the Crown Estate to perform its duties. We have talked about percentages—15% for the King and an extra 10% for doing up Buckingham Palace—but then, of course, the Duchy of Lancaster also gives the Royal Family £20 million and the Duchy of Cornwall £24 million. I compare that—which I think comes to about £132 million and goes to keeping the Royal Family in the state that we presumably think is appropriate—with the equivalent £49 million for the Dutch royal family, and the same for the Norwegian royal family. Figures for other royal families go down from there. Who decides what the percentage should be or how it should be allocated? Should not Parliament decide?

The noble Lord, Lord Young of Cookham, was very kind about a previous speech that I made about the problems of the freehold, which is next on my shopping list and still uncertain, because none of the Crown bodies has yet published how they intend to deal with the freeholds on properties that they own. It makes me wonder why it is that, hundreds of years after George III did a deal with the Treasury where he gave Crown land in return for a yearly stipend, the Duchy of Cornwall was not included in that. It must be the only organisation that receives a blank cheque without doing anything at all. I will not repeat what the noble Lord said, because we will probably have to discuss that on another occasion.

I cannot see how this behaviour justifies the sort of largesse that is given by the state—which is us—to its constitutional monarchy. The Crown is clearly not going to treat its tenants as other landlords have agreed to do by the passing of the Bill. It may publish its own rules on tenancy when it feels like it. It is uncertain whether the other landlords will behave in the same way, but I expect that the Duke of Westminster, the Duke of Northumberland and all the other big landowners will comply, because that is what the law says. But there is no debate with the Duchy of Cornwall or the Crown Estate, and there is no appeal, and Ministers often seem frightened of engaging. On this side of the House, we are members of the Labour Party, and parliamentary democracy should mean that we take this very seriously and try to deal with it in a way that means everybody is treated equally.

I have some suggestions that could simplify things. I suspect they will be rejected by my noble friend, but it is worth outlining them because, at the end of today's debate, many noble Lords will wonder, with so many things going on, what can be done—especially as we all want the Bill to go through.

One suggestion would be to incorporate the Duchy of Cornwall and the Duchy of Lancaster into the Crown Estate and remove all the exemptions; in other words, everybody would have to behave in the same way, with no special terms. The relationship between the Crown Estate, the Duchies, the Treasury and Parliament needs clarity, and the ability to debate, challenge and reach agreement. We cannot do that at the moment. The system is, frankly, medieval and feudal. Nobody dares to challenge the Duchy of Cornwall or the Crown Estate, but I think that we should.

My last suggestion is probably even more radical. I have listened to some wonderful speeches this afternoon. It would not take much to nationalise the Crown Estate or to include the Duchy of Cornwall and the Duchy of Lancaster in a nationalised body that owns the seabed and a few other things. Noble Lords will find that in many other countries the seabed is owned by the state. There is no reason why ours should not be. Parliament could allocate an annual grant to the King to cover all his royal expenses. It might stop us pussyfooting around. We do not want to upset anybody, but we want answers. I have a horrible feeling that Ministers may shy away from confronting what needs to be confronted. More power to my noble friend's elbow if he takes this forward.

5.30 pm

Lord Holmes of Richmond (Con): My Lords, it is a pleasure to take part in this Second Reading debate. As Mark Twain entreated:

"Buy land, they're not making it any more".

The Crown Estate has a diverse portfolio of land, shore and sea assets, which gives it a unique opportunity to play a role in our transition not just to green energy but to a new economy and a new future for the nation. I will focus my comments around economic, environmental and governance issues, and will deal with economic issues first.

I note the proposal for increased borrowing powers for the Crown Estate, but what limits are on this? It seems to me that if we want to enable the Crown Estate to be more connected to the country and to the communities that it ultimately serves, perhaps we should consider financial instruments, such as public bond issues, for people to participate directly in some of these proposed schemes. Similarly, does the legislation allow for joint ventures going far beyond just leases for the Crown Estate to play its part in a particular development? On land, if we look at some of the issues around the new technologies that we will need for our future economy and development, would the Crown Estate be allowed to, for example, exchange rent for equity shares?

One of the most promising opportunities, as mentioned by other noble Lords, is floating offshore. It is a nascent technology in which the United Kingdom could play a leading role. To that extent, are the proposals set out in the documentation realistic in suggesting five gigawatts by 2030? Is this a large enough stretch target in that it will largely be in this area where

[Lord Holmes of Richmond]
we really drive opportunities beyond the simple receipts we get from static platforms? This is where we can drive new technologies, IP, skills and employment far more than the existing offshore wind, which in many ways, from the United Kingdom's perspective, has somewhat passed us by from a technology point of view.

What will be in place to speed up the timeline for developing these projects? Is it proposed that the CfD and seabed licences processes will be integrated, which would be a positive move? Can the Minister clarify that? Similarly, what work is being done to ensure that this will always be crowding in, rather than potentially crowding out, private sector investment?

Many noble Lords have rightly mentioned grid connectivity. It is vital, and more important than wind generation itself, because we must appreciate that not only is there no point in generating from wind if we cannot bring it on grid but worse than that is paying billions to generators not to produce, as is currently the case, and those billions currently go on to bill payers' accounts. What is the plan to ensure that the grid will not lag but will be ahead to take on all this increased generation? Indeed, as noble Lords have commented, at certain points in the year we may well be able to export this wind capacity.

Moving on to environmental questions, does the Minister agree with noble Lords' comments that the Crown Estate could do much more in terms of biodiversity and in taking steps to help with climate adaptation, such as sea-grasses, kelp and the amount of the estate that is currently not used for those measures? Does he agree that the Bill provides the opportunity to bring forward a prohibition on all sea-bottom trawling and other practices that are effectively damaging and destroying these vital assets?

Similarly, does the Minister agree that there is an opportunity for the Crown Estate, with its nature and its shoreline resources, to play a key role in helping mental well-being? The concepts of social prescribing and nature prescribing have already been rolled out in various parts of the country. It seems to me that the Crown Estate could play a lead role, perhaps partnering with NHS England and health organisations in the devolved nations, in bringing about such a positive element for the well-being of citizens right around the United Kingdom.

While we are on the United Kingdom and devolution, I agree wholeheartedly with my noble friend Lord Bourne, the noble Lord, Lord Wigley, and the noble Baroness, Lady Smith. Surely the Minister must accept that there is no logic or consistency and that the current Crown Estate situation in Scotland and Wales cannot continue. The Bill provides the opportunity to put the situation in Wales and Scotland on a similar footing for the benefit of the entire United Kingdom.

On the question of governance—as other noble Lords, not least my noble friend Lord Young and the noble Lord, Lord Berkeley, have mentioned—does the Minister agree that what is currently set out in the Bill does not go far enough to enable the claim that this is bringing the Crown Estate into the 21st century? The Bill makes some good suggestions, but far more should and could be done. For example, how are we ensuring that these new Crown commissioner posts will really bring the full richness of inclusion and diversity that exists right across this country? Similarly, does the Minister agree that the opportunity exists to clarify a number of provisions in the 1961 Act that are not currently addressed in the Bill?

The Crown Estate has a unique place, as has been identified by speeches around the House, and it has a unique potential role to play in environmental security, economic security, technology and cybersecurity. Perhaps the greatest question we should focus on as we go into the latter stages of the Bill is to ensure that we realise all these benefits while having a laser focus, not least during this transition period, on who pays.

5.38 pm

Baroness Bennett of Manor Castle (GP): My Lords, I rise, as I hope increasingly often to rise, to offer some kudos to the Government. We are seeing reflected in this Bill an increased ambition for offshore wind, and we are also seeing ambition for other renewables. That has to be applauded. Renewables are our energy future, together with energy conservation, on which I am afraid we have as yet seen sadly little ambition from the new Ministers. That does not mean that the Green group will not call out government actions when they need to be called out, so I have to note that while we are hearing about this admirable pursuit of renewables and the decarbonisation of our electricity supply, the Government have just given the go-ahead for the expansion of City Airport, which puts the interests of a small wealthy elite over the well-being of local people and the climate. It is a facility that operates planes flying on routes where rail is a very feasible alternative.

I also note that we are holding this debate in a setting where Ofgem has just raised the price cap for energy by 9.5%, just before the onset of winter, which is deeply worrying for people still strongly affected by the continuing cost of living crisis. The Government have said that establishing GB Energy will reduce bills in the future, but that aim will be achieved only if the Government invest in improving the energy efficiency of homes as well.

As a number of noble Lords have already said, this Bill is very closely linked to the creation of GB Energy, so it is unfortunate that we are not able to consider these two issues together. Your Lordships' House will perhaps particularly understand the desire not to have Christmas tree Bills as we saw so often under the last Government, but we also need a joined-up legislative procedure.

As Greens, we would say that we need to see far more community-owned assets and schemes that genuinely benefit local people, rather than—often large, multinational—private companies seeking to use public funds, channelled through Great British Energy, to continue profiteering while the planet burns, and people's bills remain too high. The very structure of the Crown Estate, which many noble Lords have already reflected on, is one of extreme centralisation and, as I will come back to later, extreme lack of transparency about its activities. It seems better aligned to work with giant

multinational companies rather than a small, local community energy group, which might, want to develop run-of-stream local tidal energy schemes, for example.

I will reflect briefly on another couple of points that have also already been raised. For new offshore wind projects to be delivered, we need significant investment in grid capacity, yet that needs to be done with sensitivity to local environments and communities. Again, if that grid capacity is an issue for the Crown Estate, it seems ill-equipped to make good consultation and liaison with local communities.

I also want to raise an issue that no one has yet raised and which the Minister in his introduction did not raise either. We have seen in other references from the Government the suggestion that this Bill might allow for carbon capture and storage schemes offshore. I have to reflect, as I reflected to the previous Government, that this is an unproven, struggling technology. The claim that these will appear and work in the future must not be allowed to excuse the continued burning of fossil fuels.

I want, in particular, to bounce off the comments of the noble Baroness, Lady Hayman, who is not currently in her place—while joining in a number of declarations for my membership of Peers for the Planet—that we need to see in this Bill a much stronger focus and push towards nature recovery, alongside the ability to invest in related technology, infrastructure and research, as part of the Crown Estate's role. It is worth noting that the Scottish Crown Estate Act 2019 led the way on this with a duty to manage its assets to improve environmental well-being.

When we think about wildlife, the parlous state of our land is often the focus, but nature in and on the seas is struggling just as badly, if not even more so. I note that the RSPB last week, for example, highlighted a major decline of herring and other gulls. As elsewhere, nature is in a terrible state. I want to focus, as I do not think anyone yet has, on the issue of sea-grass, which is a potential major carbon store as well as being hugely significant for the life cycle of many marine species. The majority of UK sea-grass beds, an estimated 92%, have been lost or damaged in the past century. Worldwide, 35% have been lost in just the last 40 years.

The noble Lord, Lord Teverson, raised a point about the seaweed farms in Cornwall. Industrial monoculture is just as bad in the seas and on our shorelines as it is on our land. The Crown Estate in Scotland, in particular, has been the site of significant fish farming. This is factory farming which has major environmental impacts. It involves taking protein to be fed to carnivores, to produce a tiny fraction of that protein. There are problems with the spread of disease and antimicrobial resistance. How are we going to ensure that the Crown Estate, under this Bill, considers all these issues?

Looking specifically at Cornwall, the noble Lord, Lord Teverson, raised the issue of bottom trawling, which is a huge environmental issue. Just in July this year, the BBC reported that large new—that is newly known to us—beds of maerl, calcified seaweed, have been discovered off the Roseland Peninsula and St Austell Bay. Natural England said these were irreplaceable habitats within sight of the shore. A spokesperson also reflected that it is incredible that we still have such "completely undiscovered" sites. We have to ask what kind of job the Crown Estate is doing to safeguard its assets if we have only just discovered that that is there. We come back to the question in this Bill of investing in research. Perhaps we need to make sure there is investment in research so that we know what is there before we wreck it. That is surely an essential point.

I would appreciate a response from the Minister on another point: how will this Bill, or how will the Government, by guidance or other action to the Crown Estate, ensure that these new activities happening offshore are part of a just transition, assisting offshore workers in particular to move from high-emission sectors to those that contribute to tackling the climate emergency?

The next issue I want to raise has been extensively canvassed, so I will be very brief. I have noted that the loudest "Hear, hears" around your Lordships' House have been on the issue of the devolution of the Crown Estate for Wales, so that Welsh people are given control over their own resources to be used for local benefit. Those arguments were powerfully made by the noble Lord, Lord Wigley, and the noble Baroness, Lady Smith of Llanfaes, among others. This issue featured in the Green Party of Wales manifesto in the recent election and is an issue that I am pleased to say we will be supporting as strongly as possible. However, I note that, if that were to happen, as would appear to be the view of your Lordships' House, it would only highlight the lack of democratic oversight that would remain in England.

As the noble Baroness, Lady Young of Old Scone, said, the Crown Estate is a big thing, with enormous amounts of resources under the control of a sort of public, but mostly private, corporation—the control of a handful of individuals appointed by the Crown. Like many others, I can applaud the small steps towards modernisation of an institution that dates back most immediately to the 1961 Act but originally to 1760. Like so many of our constitutional and legal arrangements, this would appear to be the result of historical accidents over centuries—except that, of course, one has to ask: are these accidents? I pick up here the points made by the noble Lord, Lord Berkeley. Somehow, these "accidents" often seem to put in the hands of the few the power to control what should be public resources, while the profits from public resources go to the few rather than to the many.

I finish, and round up those points about democracy and lack thereof, by raising, as did the noble Baroness, Lady Young of Old Scone, and the noble Lord, Lord Young of Cookham, issues—we are on land now—for tenants and leaseholders of the Crown Estate. A report in *openDemocracy* in July notes that the Crown Estate has earned more than £344,000 in housing benefit since the pandemic. It seems circular, given that the Crown Estate is, as some have said, an arm of the Treasury; it is paying housing benefit essentially to itself.

Over the same period, the Crown Estate delivered eviction notices and warnings to at least 31 tenants. I note that among the properties of the Crown Estate is a three-bedroom flat near Buckingham Palace, which was recently advertised for rent for £19,067 per month.

[Baroness Bennett of Manor Castle]
I am not quite sure where the public benefit is here, but we are where we are. Reports in 2019 said that the Crown Estate had received more than 100 complaints about its residential properties in just two years, including grievances about rent hikes, leaks and faulty electrical goods. Here I come to one of my main points. When approached by openDemocracy, a spokesperson for the Crown Estate declined to comment. How much is this a public asset and working for public good?

We need the Crown Estate to be sensitive to the concerns and interests of local communities, across England as well as in Wales. What plans do the Government have, through this Bill or otherwise, to ensure that the Crown Estate—with this lack of accountability, and environmental and social responsibility, and with structures from the 18th century or, as the noble Lord, Lord Berkeley, said, sometimes going back further into the medieval period—can be made fit for the 21st century?

5.50 pm

Baroness Ritchie of Downpatrick (Lab): My Lords, it is a pleasure to follow the noble Baroness, Lady Bennett of Manor Castle. I welcome this short Bill and the discussion I had last week with the Minister, my noble friend Lord Livermore, where I raised two specific points. While I welcome the Bill, these two points relate to, first, the establishment of Great British Energy, and, secondly, the potential impact or squeeze on the space available in the marine environment seabed for our fishing industry. In the Irish Sea, that industry fishes the 12 miles that cover the Crown Estate area.

On the day the Bill was introduced, the Government also introduced a partnership between the Crown Estate and Great British Energy to bring forward new offshore wind developments, something I welcome. But since the provisions of the Bill extend to Northern Ireland, and obviously to the Irish Sea, and since the electricity market in Ireland, north and south, is organised on an all-island basis, with the supply of electricity in Northern Ireland controlled in large part by the Irish Government as part of that all-island electricity market, I therefore ask: what function will Great British Energy have and what impact will it have on our all-island electricity market? Will it enhance or limit the provision of electricity? Has there been a partnership with the department for energy and energy providers on the island of Ireland, north and south? What discussions have taken place with the Department for the Economy in Northern Ireland and with the Irish Government?

Moving swiftly on to the fishing industry, particularly the fish producer organisations and fishers who use the marine environment of the Irish Sea, what impact will the implications of this Bill, with the creation of offshore renewables, have on the ability and capacity of the sea-fish industry in Northern Ireland? I have to point out that the fishing industry, particularly in the County Down ports, already provides safeguarding for some of those offshore renewables, not only in the Irish Sea but in the Celtic and North Seas, so that work is ongoing. My issue is about the space available to fishers to actually fish and undertake their industry.

Some weeks ago, I met representatives of the fishing industry. I am going to provide some of their testimony on the potential impact of the Bill and its implications for the industry, particularly as they use and fish the area within 12 nautical miles of the coast, which includes part of the Crown Estate bed. A selection of that testimony is as follows. They believe that the Bill has

"potentially significant implications for the fishing industry. The enhanced ability of the Crown Estate to manage its portfolio, borrow capital and invest in projects aligned with the UK's net zero commitments could lead to increased competition for marine space, particularly with respect to the expansion of offshore wind farms. Modernisation of the Crown Estate's investment strategies could also lead to the expansion of other marine developments".

They continue:

"As there is a finite amount of space in the Irish Sea with important nephrops fishing grounds condensed into geographically tight areas and lying adjacent to productive areas for crab, lobster, scallop and commercial fish species, the expansion of offshore renewable and other marine developments could create challenges for the fishing industry. In addition to the increased competition for space and loss or disruption to key fishing grounds, the Crown Estate's ability to borrow and invest more flexibly could lead to broader economic changes that indirectly impact the fishing industry. The increased focus on sustainable and renewable energy may shift policy priorities which could influence how the fishing industry operates within UK waters".

I therefore have some questions for the Minister, which are along similar lines to what I discussed with him on Thursday of last week. I am looking for assurances for the fishing industry that there will be no diminution of fishing effort. Did the Crown Estate undertake consultation with the fishing industry and the fish producer organisations? If so, what was the result and outcome from that engagement? Apparently, the Department for the Economy and DAERA in Northern Ireland undertook joint stakeholder engagement with the fishing industry there regarding spatial planning in the marine environment. From my memory, my noble friend Lord Livermore referred to that in our discussion. Did they consult the fish industry and, if so, how did that happen and who was involved? Were the results documented and published? Was the consultation actively done on a boat, in collaboration with the industry? Who, if any, were consulted and what was the result of such stakeholder engagement? Did consultation take place with the UK-based National Federation of Fishermen's Organisations and with the Marine Management Organisation?

Having had further consultation with the fishing industry on Friday of last week, they have informed me that they did not have consultation with the Crown Estate but did have consultation with the Department for the Economy in Northern Ireland, which in their view proved unhelpful and inadequate. Information regarding fishing grounds delineated on maps was provided to the Department for the Economy in May, following an inconclusive meeting, yet they have not received any response. In that regard, I look forward to the responses from my noble friend the Minister on the issues which I have raised.

My final point has already been raised by the noble Baroness, Lady Hayman, as the chair of Peers for the Planet, and by the noble Baroness, Lady Bennett. This matter has been raised by the Wildlife and Countryside Link, which thinks that there are some issues missing

from the Bill, such as a commitment to nature recovery alongside investment in climate. It is looking for the Bill to be given

"a nature recovery objective, alongside the ability to invest in the technology, infrastructure and research required"

for further investment in climate. I would like my noble friend the Minister to provide us with some detail on that. Why was this not included in the Bill and, if amendments were put to it, would he accept from the Front Bench such amendments?

I look forward to the Minister's answers on the foregoing issues about Great British Energy and its impact on our all-island electricity market, as it was mentioned on the day that the Bill was brought forward, and on the issues to do with nature recovery and the fishing industry.

6 pm

The Earl of Devon (CB): My Lords, it is a pleasure to return refreshed from recess. I trust that the Government are refreshed as well, despite their rather riotous summer.

This is, as has been recognised, a slim Bill, but it offers a rare opportunity to explore important fundamentals at the outset of the Government's ambitious legislative agenda. These include the nature and future of the Crown Estate itself, the renewable energy transition, and the tricky balancing act inherent in achieving sustainable economic growth within a five-year election cycle without damaging long-term consequences for our nation's stock of natural capital. The Bill's silence on biodiversity, particularly in our sensitive marine ecosystems, is regrettable. I echo the noble Baroness, Lady Bennett, on that point.

The Prime Minister, Sir Keir Starmer, has made much of his ambition to fix the foundations of our nation; you do not get much more foundational than the Crown Estate. The helpful Library briefing states that the Crown Estate dates from

"1760, when King George III handed land and property over to the government … in return for a fixed salary"—

now the sovereign grant. This is not strictly accurate in at least two regards. First, the Crown Estate dates from the Norman conquest, when William, Duke of Normandy, took England by force. By 1086's Domesday audit, it amounted to some 18% of the country and it is therefore an unapologetically feudal landholding.

Secondly, the Crown Estate was not handed over to Parliament. The land and its associated capital still belong to the King in right of the Crown; they are simply managed by the Crown Estate commissioners and the surplus income is directed to the Treasury. I disagree with the noble Lord, Lord Teverson, on this point. The Crown Estate is therefore a hereditary feudal estate. It is far from the only hereditary feudal estate in the country—here I should note my interests—but it does have the best PR.

I noted in recent debates on leasehold reform how "feudal" is consistently adopted in parliamentary discourse as a pejorative term, used unfairly to denigrate long-established roles, rights and interests that have served our nation well over the last millennium, such as the monarchy. I also note that the current Labour Government's own manifesto has labelled hereditary interests as "indefensible". How then do the Government justify, as their first order of business, the modernisation of the hereditary feudal institution of the Crown Estate, particularly when a subsequent order of business is the abolition of the hereditary peerage, one of the other feudal and hereditary mainstays of our constitutional settlement? This seems a little insensitive. Is it perhaps because the Government see a golden opportunity to extract more revenue for Treasury coffers as a quid pro quo for the Crown Estate's renewal and continued existence? We should ask ourselves what this transaction will do for the long-term health and well-being of the Crown Estate and its precarious constitutional place. I note the comments of the noble Lord, Lord Howard, in this regard.

I note the Crown Estate's excellent public relations. The current public consensus is that it is a benign body, managing ancient rights and land for the public benefit, but do not be mistaken. Here, I take the invitation of the noble Baroness, Lady Young, to throw a little more light upon it. The Crown Estate has always been, and will continue to be, an aggressive commercial operator, skirting the edges of the law for maximum gain. Again, I note my interests, particularly as Earl of Devon, as in that capacity I can vouch for the Crown Estate's dubious foundations. I trust that noble Lords will forgive me the trip down memory lane as I vent the frustrations of the past 800 years.

Take for example, the Isle of Wight—just as the Crown did. Until 1293, it was a largely independent kingdom, governed initially by a Norman comrade of William the Conqueror, Richard de Redvers, whose son Baldwin became Earl of Devon in 1142. The last de Redvers Earl of Devon was a woman—perhaps surprising given the reluctance of Parliament today to countenance female succession to hereditary peerages. The great Countess Isabella de Fortibus expanded Carisbrooke Castle, built the Countess Wear over the River Exe, long outlived her husband and brother and became one of Plantagenet England's greatest landholders.

Edward I pursued her relentlessly for the Isle of Wight, of which she was titular queen, but she consistently refused him—that is, until her deathbed, to which the King dispatched two bishops to persuade her to give up the island, plus three valuable manors, in return for a cash payment of 6,000 marks. She was an elderly lady in declining health. The deed was drawn up on 9 November 1293. She never signed it, but rather—according to those bishops—waved her hand in acquiescence and died on 10 November, the very next day. Her heir Hugh de Courtenay, the first Courtenay Earl of Devon, never received the payment.

Later raids on Courtenay lands were less subtle. In 1538, Henry VIII simply beheaded his cousin, Henry Courtenay, the Earl of Devon, on baseless conspiracy charges arising from his Plantagenet bloodline. The King seized 13 manors by attainder, and they now form the core of the Duchy of Cornwall. Your Lordships may find this history lesson a little self-indulgent; it is, but in a few months your Lordships will not have many hereditaries present with memories by which to hold our sovereign to account, and our Parliament will be poorer for that.

I also note that this avaricious conduct did not cease with George III's transfer of the management of his feudal estates to Parliament. As recently as the

[The Earl of Devon]

1990s, my father endured a long-running battle with the Crown Estate over title to the fundus and foreshore of the River Exe estuary. Neither attainders, beheadings nor disingenuous bishops were available to the Crown Estate this time around, and after many years my father was able to reassert his ancient manorial rights. Tensions with the Crown Estate continue. Ownership of Salcombe Castle is unsettled and a harbour revision order governing the Exe estuary is yet to be resolved. The expansion of the Crown Estate's powers will therefore have very real impacts upon arguably more traditional, and certainly more indigenous and communal, interests. This begs the important question of what safeguards will be placed upon the exercise of these new powers to ensure that local interests are not trampled upon.

In particular, I note that the Crown Estate Bill removes restrictive limitations found in Section 3(4) of the Crown Estate Act 1961, affording Crown Estate commissioners a considerable expansion of powers. The Crown Estate's briefing note suggests that these powers will be used to "mobilise investment" and

"expand activities across our diverse portfolio to accelerate our strategy",

with a focus on clean power, including offshore wind; infrastructure and skills; and urban regeneration. These are all worthy and very important tasks, but can the Minister clarify the manner in which this massive expansion of activities will be subject to the control of Parliament?

I note, for example, that until now the Crown Estate commissioners have been paid by Parliament to undertake their closely prescribed investment powers. However, it is now proposed that they pay themselves out of the money they generate, using a vastly broader array of investment and borrowing powers. This raises the uneasy prospect of conflicts of interests and potential cronyism, about which I know the Prime Minister is very sensitive.

It would help our understanding if the Minister could explain why, in the Crown Estate Act 1961, it was felt necessary to restrict the Crown Estate's investment powers so much. Nowhere in the Government's or the Crown Estate's briefings, nor in the Explanatory Notes, is the purpose of these original Section 3(4) restrictions explained. If the noble Lord, Lord Young, is correct, I do not think *Hansard* will be much help either. We should not be asked to remove these powers without knowing their original role and why it is no longer applicable.

It is suggested that the current investment powers enjoyed by the Crown Estate are unduly restrictive, but what is the benchmark against which that is to be judged? A quick look at the Crown Estate's finances reveals that its revenue profits have increased in the last decade from £256 million in 2012 to £1.1 billion in 2022. Its net assets, which still belong to the sovereign, have increased from £8.1 billion to £15.5 billion over the same period. By any measure, the Crown Estate is doing very well. I note it is doing vastly better than any of its traditional land-based feudal competitors.

I also noticed the comment in briefings that in recent years, given such financial abundance, statutory transfers have ensured that revenue profits have been added to the Crown Estate's capital reserves. As I understand it, in layman's terms, this is the conversion of Treasury revenue to enhance the value of the hereditary Crown Estate, as owned by the sovereign. Is that really true?

How can we be certain that these new investments and expanded activities are undertaken in a way that is regionally equitable? For example, Great British Energy, with which the Crown Estate recently announced an expansive new partnership, is based in Scotland. Will it therefore not naturally favour Scottish interests over those of other regions? I note here my membership of the All-Party Parliamentary Group for the Great South West and the importance to the south-west peninsula of the Celtic Sea floating offshore wind project, which is highly dependent upon the Crown Estate for its success. It is important to Wales too, I understand. With that in mind, what reassurance can the Minister provide that the south-west will see equal support from the investment from the Crown Estate and GBE, alongside investment in regional skills and the network and infrastructure necessary to deliver the project?

How will the Crown Estate and GBE be forced to ensure that the communities that bear the greatest infrastructure burden of offshore renewables will get their fair share of the revenue generated by such projects? Is it appropriate to delegate all this complex political decision-making to the apolitical Crown Estate commissioners and the commercial management of Great British Energy? What is Parliament's role in all this? I am particularly sympathetic to the concerns of the Welsh Government that the profits from the exploitation of the Crown Estate in Wales should revert to the benefit of the Welsh. Likewise, the profits from the south-west should revert to the people of the peninsula, please.

Further, how have the Government satisfied themselves that the partnership between the Crown Estate and Great British Energy is free from conflicts of interest and fully compliant with the necessary procurement regulations? Both partners are emanations of the state, and I am not aware that Great British Energy sought open bids or applications from any other marine fundus owners for partnership to deliver renewable energy from their land holdings. I admit that most of those land holdings are less extensive than the Crown Estates, but that is due to nefarious historical reasons we have already noticed.

Finally, and perhaps of most fundamental foundational importance, how will these amendments to the Crown Estate Act contribute to the lasting shared prosperity of the nation, which is the Crown Estate's stated mission? How can we in Parliament be certain that the glut of offshore energy development engendered by this legislation will not permanently damage the health and vitality of our most important and vulnerable national asset: our natural capital?

Many of your Lordships will recall the ground-breaking report of Professor Dasgupta on the economics of biodiversity, commissioned by the Treasury some years ago. Noble Lords may also remember his damning conclusion that our myopic pursuit of economic growth, without accounting for the consumption of natural capital, renders us all poorer in the long run. How can Parliament ensure that the vast economic expansion

enabled by this legislation will not come at the cost of the biodiversity of our unique and most precious marine ecosystems?

In particular, can the Minister please provide us with an update on Defra's progress on marine net gain, following the consultation of 2022? I understand that this legislation, and the vast expansion in offshore energy that will follow, should not occur until MNG is properly legislated and in force. Otherwise, we will be closing the stable door long after the horse has bolted, leaving our marine ecosystems in tatters. I will be willing to forgo my claim to the Isle of Wight if the Government can provide satisfactory assurance that our marine ecosystems will be better safeguarded pursuant to this legislation.

6.13 pm

Lord Rooker (Lab): My Lords, I am glad I was in the Chamber to hear that speech. I know it is almost traditional for the last Back-Bench speaker to say that everything they want to say has been said but they will still say it. Well, in my case, what I want to say has not been said. I know we have all had a funny letter today from the management telling us to be nice to each other, but when I started to look at this, I read the annual report that the noble Lord, Lord Young, referred to.

I agree with the Bill's content and the reasons for it, but I have one question about it. I would have asked for it to be addressed in the wind-up, but I did not know I would be the last speaker when I wrote this. I note the questions posed on page 13 of the latest *Private Eye*, issue 1631. An interesting point is raised there, and I am sure the civil servants of the Treasury are aware of it and probably put it in the box for the Minister's wind-up. So I will keep off the Bill and stick to the work of the Crown Estate.

There are some nuggets in the annual report for 2023-24 that explain, better than new Ministers have, the legacy that this new Government inherited from the Tories. I will give some examples, and I will make sure I quote the Crown Estate so I cannot be accused by the management of being nasty, given its letter today. As we heard, most of the activity is in the south-east and coastal areas. Either way, the profits are for public use by the Treasury. As people have said in technical terms that I am not qualified to comment on, it is neither traditional nor private, and it is a bit of an unsung operational situation. When I read the report, I noted that it is almost like a national co-op, which of course contradicts some of the points we have made about where the money comes from.

The annual report is very clear on the situation in the UK. The modest language used makes it a more powerful indictment of the Tory Government operating until 4 July. For example, regarding the external context in which the Crown Estate works, it says:

"UK investment attractiveness continues to be challenged".

It says that, with higher inflation and weak economic growth,

"it is harder to remain globally competitive".

The Crown Estate's commitment is to bring the public and private sectors together to "catalyse investment in innovation".

The report recognises a shifting political landscape:

"The public sector remains fiscally constrained, making institutional capital, along with private-sector partnerships, critical to delivering … net zero"

and to tackling the housing crisis. It also recognises that:

"An ageing population is straining national infrastructure".

It accepts that:

"The UK is experiencing the most precipitous two-year drop in living standards since records began in the 1950s, and individuals and families are feeling the strain"—

I stress that. The report goes on:

"More than one million households are waiting for social homes amid a national housing shortage, while the cost of living has seen the highest rise among OECD economies".

Why are new Ministers not using these descriptions of the Tory legacy instead of those from their spin doctors? It is much more effective coming from an organisation like the Crown Estate.

The Crown Estate sees an opportunity to play a convening role to help the UK out of what we have inherited. On the need to focus on higher growth and lower inequality, it says it will "listen to and involve" partners as a means of informing its response. That approach is incredibly welcome.

The one area above all in which I commend the Crown Estate's annual report's honesty is regional inequality. After the table setting out the uneven GDP per worker in the regions of this country, it points out:

"The UK has greater inequality than any large European country, and regional disparities continue to widen".

This is the Crown Estate, not me. This is written by the people who have been doing all the things everybody has been talking about. Their analysis is that the UK has greater inequality than any large European country and that regional disparities continue to widen. So much for the levelling-up policies of the former Government.

The Crown Estate response is to use its integrated place-based approach to unlock economic potential and contribute at local and regional level, and I am going to give some examples before I finish. The basic theme is working in partnership, bringing sectors together and strong collaboration.

I was struck—I think this is in the part of the annual report with the chief exec's long analysis—by the help given to farmers to create 200 kilometres of new hedgerows in the first two years of the economic fund. I know, and I suspect that others in the Chamber know, that there was a period in the 1980s and early 1990s when farmers grubbed out 25% of their hedges under the then Tory Government arrangements. Now we are having to use the Crown Estates to try to put some of that back.

I have a really first-class example. I commend the work being carried out with the DWP, in partnership with the Crown Estate, which discovered that the front-line job coaches had a lack of knowledge to tell jobseekers about roles and skills involved in the renewable energy sector. The Crown Estate discovered it—why did not Tory Ministers and the Tory independent board members discover that gap? The Crown Estate said:

[LORD ROOKER]

"To bridge the gap, we have convened a group, including industry partners and the Offshore Wind Learning Platform, to help an initial group of 60 jobs coaches in the East of England to learn more about the industry".

If it works, it will roll it out. The job coaches did not even know anything about the renewable industry. The Crown Estate, in partnership with the department, discovered it, not the Ministers. I find that lapse astonishing.

I give three examples of new skills being developed by the Crown Estate in partnership. I shall not go into massive detail because that would be unfair. In Cornwall, there are plans for innovative new GCSEs for 14 to 16 year-olds. At Pembrokeshire College they are developing manufacturing and technical skills and in Grimsby there is an educational project to inspire clean energy experts of the next generation. Those are three good examples and there are lots more in the annual report.

In ports and marine sectors, it is obviously the case that marine aggregates are very important to the construction industry, and the Crown Estate is working to ensure best practice and sustainable credentials for this industry. Crown Estate customers in north-east England are developing projects related to the extraction of polyhalite, a new type of low-carbon fertiliser, assisting jobs in north Yorkshire and Redcar.

On HR, I highlight the work to close the gender pay gap which has increased in the Crown Estate, mainly due to more recruitment at entry-level roles. Using coaching for those returning to work after parental or adoption leave is helping make recruitment policy more equitable.

The risk appetite section is split into six levels and is commendable. I will highlight one. It is clear that the Crown Estate sees real issues if it does not control the supply chain. It says:

"We regard effective control of our extended enterprise as fundamental to our good operation.".

I wish I could say the same about the private sector, because that is absolutely crucial.

My one concern, buried deep in the report, concerns the pension scheme. There is a three-year block on company contributions to the pension fund. As a former Pensions Minister, I understand the reasons and figures given to back up the decision, but it must be really carefully monitored by the trustees. There have been so many incidents in the past when that has happened and carried on to cause problems for the pension funds.

My final point concerns the massive effort in the retrofit to New Zealand House, an iconic landmark a few hundred yards from here. It is the only tower block allowed to overlook Buckingham Palace and was planned as a thank you for the New Zealand war effort. It is proof that retrofitting need not involve demolition and the dumping of materials containing a large carbon footprint. That is the reality: the first thing that some developers do is to say that it is easier to knock a building down and build something else. It is possible to retrofit. Some 1,300 square metres of marble are to be reused out of New Zealand House and 7,000 items in the building will be used in other schemes, while 90% of the structure is planned to be retained. It is a real example to others, such as those who signed the letter to the *Times* last Saturday about Marks & Spencer in Regent Street; the signatories want to modernise buildings rather knock them down, which both the private sector and central government have used as first option too often in the past.

The work to retrofit New Zealand House is much to be supported—and this is where I should declare an interest from my time as Defra Minister and chair of the Food Standards Agency, when I enjoyed the views and hospitality from the top floor, the 17th floor, of New Zealand House. It was enhanced in a meeting of dairy producers whom I met while on a private family visit to New Zealand when I and my wife took time out to marry in Christchurch.

6.25 pm

Baroness Kramer (LD): My Lords, that was an innovative speech at the end of a long day—so thank you to the noble Lord, Lord Rooker. I thank the Minister and officials for the engagement with me and others last week, which was exceedingly useful.

The Crown Estates, as we have heard very clearly today, are a unique animal sponsored by Treasury; they are completely operationally independent, sitting between the public and private realm, undertaking a vast range of activities in pursuit of a set of objectives which, as the noble Earl, Lord Devon, said, are essentially very benign. In that context, like the noble Lord, Lord Liddle, after my first brief glance at the Bill I thought that it was rather insignificant. It was only on a second look that I realised that this represents a very consequential expansion of the powers of the Crown Estate, first to run down its very extensive cash reserves and then to move into borrowing. In principle, we as a party have no objection to that expansion, given the stated beneficial objectives that the Crown Estate has, including sustainable growth, zero carbon, energy security and community development. But today we have heard a very wide range of issues raised, and those issues need to be addressed.

Much of the debate today focused on issues ranging across the environment and I thank my noble friends Lord Russell and Lord Teverson for speaking from my party's perspective, which means that I do not have to repeat all that. But so many others spoke today, including the noble Baroness, Lady Hayman, speaking for Peers for the Planet, the noble Baronesses, Lady Young of Scone and Lady Bennett, the noble Lord, Lord Liddle, and the noble Baroness, Lady Ritchie. There was a whole series of speeches that underscored that, within this scope, there is a great deal of tension between the development of renewable energy and new opportunities for energy, the natural world and biodiversity and regional issues. There is a great deal of choice and issue based on the expanded role that the Crown Estates see themselves playing.

What I do not understand—and I speak now with more of a Treasury and business hat on—is why there is no business case to accompany this request for such a large expansion of power and investment capacity, as well as borrowing capacity. Should it go wrong, you can be quite sure that the borrowing will have

consequences in restricting other activities that the Crown Estates actually carry out, or falling back on the public purse either directly or indirectly through the National Loans Fund. Why is no business case sitting behind this to provide us with detail, direction and explanation and tease out and answer some of those very obvious tensions? It is bad practice. I say that to the Minister because that message has to go back to the Crown Estates and sit in the back of the minds of government as they go forward over the next several years and bring issues like this forward to us.

As I say, when I looked at the Bill, I decided that the best thing to do was to focus on the nitty-gritty within it. My heart went out to the noble Lord, Lord Young of Cookham, in dealing with the issues of freehold negotiation with the Crown Estate—the noble Earl, Lord Devon, raised some of those issues in a very extended context. Frankly, this is an aggressive commercial organisation. Over the years, I have dealt with many people who have held leases from the Crown Estate as freeholders, and they are extremely difficult and complex negotiations. That there seems to be no accountability and that aspects of the law do not necessarily apply are among the issues that have to be addressed as we offer the Crown Estate a much more expanded role and much more expanded powers.

I want also to pick up the issue raised by the noble Lord, Lord Liddle—or maybe it was the noble Lord, Lord Berkeley—that with this expanded range of powers, adding four seats to the board creates a real opportunity to bring in some additional resource and expertise, but again, we do not have a discussion of that. What kind of expertise is it? What are they looking to use those additional roles for? What kind of additional capacity is it? Once again, I think this is bad practice and it should come before the House.

On the sovereign grant, raised initially by the noble Lord, Lord Turnbull, but picked up by others, I have to say that it is not an area of expertise of mine, but it certainly seems to be an opportunity to separate out a real idiosyncrasy and to recognise the Crown Estate in the new, modern role it is going to play rather than trying to run a sort of pretence that it is some sort of self-funding operation for the monarch.

When I looked at the business case—and we are talking about an operation that has over £1 billion in revenues, £14 billion in property and £15 billion in total assets, so it has enormous capacity to do such things as develop a business case and look into the future—I could pick up almost nothing from the existing annual report. Nowhere in that annual report did there seem to be to be a sense of, "We wish to do this, but we can't", or "We need additional resource to achieve this, but it isn't there". We must have this additional information fed back.

As noble Lords will gather from looking at the Bill and the notes attached to it, the Crown Estate framework agreement between the Crown Estate and the Treasury sits outside the Bill but actually governs the capacity at present for the Crown Estate to raise funds and to spend. I think that even the Treasury would admit—in fact, I know it would—that the framework agreement as it sits today is not fit for purpose. It is written from the perspective that the Crown Estate is not permitted to borrow, so it provides it with a workaround that, in essence, lets it borrow indirectly by creating vehicles with various partners, typically in the private sector. Through those joint ventures it is, in effect, at present able to borrow, and the amount that it can borrow is limited, both by vehicle and in aggregate, under Clause 22. As we provide the additional powers, Clause 22 becomes completely irrelevant. My question to the Minister is: where is the revised framework agreement? If we are saying that it is urgent that these powers are passed, it is therefore surely urgent that we have the framework agreement in hand, and if not the finalised framework agreement, then surely at least a draft version of either the framework agreement or an MoU between the Crown Estate and the Treasury on what this will look like. As many people have said, we cannot allow this to be a body that has completely unlimited borrowing powers, unconstrained by shareholders or by other kinds of clauses or constraints, or unconstrained by bank agreements. We are going to have to have a framework agreement and I really will push the Treasury on this, because I think that, in principle, that kind of work needs to be done in time and brought to Parliament. Parliament should not be asked to sign off powers blind when information can and should be provided.

Almost finally, I want to comment on the Crown Estate in Wales. My party is a very strong believer in devolution of the Crown Estate in Wales to Wales, so that the proceeds are then used for Wales. I am very taken, I must say, by the proposal of my noble friend Lord Teverson for regional wealth funds to be a mechanism to make sure that in regional areas where the Crown Estate is at play in England those funds flow back into the local community, where the Crown Estate will increasingly operate.

We shall not oppose this legislation, but we can see areas where it is weak and where there is weak practice. I hope that the Government will address those issues. The underlying principle of using the Crown Estate and its assets effectively to achieve our goals in renewable energy and in the environment is obviously one that we support.

6.35 pm

The Earl of Courtown (Con): My Lords, it is a pleasure to follow the noble Baroness, Lady Kramer, and to have had the opportunity to hear so many wise contributions from across your Lordships' House today. Unfortunately, my noble friend Lady Vere of Norbiton is unable to be here today, but I anticipate that she will take part in the Bill's later stages.

I am pleased that the Crown Estate Bill has been brought forward by the Government early in this Session as they work to develop what I am sure will be more challenging legislation in the months ahead. The Opposition support the aims of the Bill, and I will restrict my remarks to five areas: the relationship with GB Energy; the new investment powers; the new borrowing powers; accountability; and the Crown Estate's relationship with other stakeholders. I have a number of questions which I hope the Minister will be able to respond to, but of course a letter at a later date before Committee would be fine.

The most significant development is in the presentation of the Bill. It had its First Reading on 25 July and then the Government announced a partnership between

[The Earl of Courtown]

GB Energy and the Crown Estate which was described as "major" and "unprecedented", as was highlighted by the noble Lord, Lord Liddle. The Minister subsequently described it to my noble friend as "a strategic partnership", which does not sound quite so grand, but it is worth taking a step back. The Crown Estate essentially operates independently. As other noble Lords have said, it is a collection of public assets being managed on commercial terms for the benefit of the nation, including for Treasury coffers. Revenue targets are agreed with the board and discussed with the Treasury. The Crown Estate's obligations, as other noble Lords have said, are set out in the Crown Estate Act 1961 and, quite reasonably, they relate to enhancing and maintaining the value of the estate and the return obtained.

The strategic objectives of GB Energy are somewhat different, and it is reasonable to expect that they might not always be aligned with those of the Crown Estate. Ditto the priorities pursued as part of His Majesty's Government's clean energy superpower mission, in which the Crown Estate is to play a key role via this new partnership. In this context, what practical difference will the recently announced "unprecedented partnership" with GB Energy make to the Crown Estate? What activities will the Crown Estate undertake that it would not otherwise have done? Will returns be higher, lower or about the same as other investment opportunities? If the answer is that there will be no change to the Crown Estate's investment strategy, given the statutory duty to maximise returns, what is the point of the partnership and what is the role of the Crown Estate in this mission? My noble friend has looked for more clarity on the partnership, but to no avail. Will the Minister publish the partnership agreement so that parliamentarians can see what has been agreed?

I turn to broader issues relating to investments. One key change in the Bill is that it gives the ability to undertake activities not expressly mentioned in the Crown Estate Act 1961. Examples given in the Minister's letter include

"investing in the infrastructure of a port owned by a third party to facilitate seabed development",

investing in seabed mapping technologies, and funding research and development. On the face of it, some of this is perfectly reasonable, but I am concerned about what guardrails exist around these new investments—and, I presume, divestment powers, as the change relates to activities.

Has the Crown Estate identified privately owned ports, for example, currently unwilling to invest in infrastructure and how much does it intend to allocate to these investments? Would this investment not more rationally sit with GB Energy, if at all? Is there a risk that such a public statement of intent ends up crowding out investment by the private sector? It is worth pressing further on the ill-defined activity of research and development. How much will the Crown Estate spend in this area and on what sorts of activities? Why would these activities not be supported by the private sector or other government R&D funding pots?

Finally in this area, I return to divestments. The Crown Estate holds a collection of national assets and seeks, in its own words, to

"leave a positive legacy for generations to come".

When my noble friend spoke to the Minister and his officials last week about the Bill, she asked about the decision-making process around the asset base. She was told that the Crown Estate "would not sell off part of the seabed, but may decide to divest part of Regent Street". I am not sure that I see the difference. I would therefore be grateful if the Minister could reassure me that if—I recognise it is just an "if"—some of the new Crown Estate investments do not go as well as I am sure all noble Lords hope, there are appropriate mechanisms by which significant changes to the asset base are approved by the Treasury and notified to Parliament.

A further key part of the Bill, as mentioned by many noble Lords, including my noble friend Lord Bourne of Aberystwyth, gives the Crown Estate the power to borrow. From a purely commercial perspective, a bit of leverage is a good thing and we support it. But I also note that in the last financial year the Crown Estate generated free cash flow of over £1.5 billion and had £3 billion of cash and cash equivalents at the end of the year. By borrowing or setting up borrowing facilities, the Crown Estate will have less need of such a large cash cushion. In the light of this, will the Government press the Crown Estate to increase the payment to the Consolidated Fund this year or in subsequent years, or will the freed-up funds be used to invest? All borrowing must be approved by the Treasury, which we support. Will the Government commit to a maximum borrowing level for the Crown Estate, to be set annually or in agreement with the Crown Estate commissioners and then laid before Parliament?

This brings me to accountability. I recognise that the Crown Estate is an unusual organisation that plays an important part in our nation's future and prosperity, and that it is the guardian and steward of assets that belong to everyone. I welcome what the Minister said about the increase in the number of Crown Estate commissioners and the other changes which will modernise its governance. However, I press him on oversight by the Government and Parliament, which the noble Earl, Lord Devon, mentioned.

On the first, will the Minister put on record the relationship between the Treasury, Ministers and the Crown Estate? How often are meetings held and what is discussed? Is the Crown Estate open to input from the Government and in what circumstances does it cite independence? Essentially, how does the relationship work? Will it change given the Crown Estate's role in the mission via the partnership with GB Energy? I am aware that the Government have the power to direct the Crown Estate, in accordance with the statutory duties, and that this power has never been used. I hope that it never is, but can the Minister reflect on the sort of circumstances in which Ministers would have to step in? Are there red lines that, if crossed, could prompt quick action?

It is not clear to me how accountability to Parliament will work. One element of the Bill shifts the funding of the Crown Estate's office from funds agreed by Parliament to payment directly by the Crown Estate. This removes an important lever and reduces accountability. Given this, what mechanisms exist by which Parliament can raise legitimate questions and concerns over the management of these national assets? The Crown

Estate is currently recruiting for the key role of chair of the commissioners within its structure. Might it be appropriate for the selected candidate to appear before the Treasury Committee, for example, before final appointment? Perhaps the Minister would like to comment.

Finally, I will touch briefly on ensuring that the Crown Estate is a good neighbour. Many noble Lords have noted the key role of the Crown Estate and the enormous responsibility that rests with its leadership. There is pressure for that leadership to perform, to meet the statutory duty to maximise returns to the Treasury, and to meet performance targets for pay. Yet sometimes the most profitable course of action for the Crown Estate may not be the one that increases the overall prosperity of the nation—for example, as mentioned by noble Lords, access to and use of the sea above the seabed, which is owned and managed by the Crown Estate. I would be grateful if the Minister could confirm that well-established rights and routes of navigation for shipping, fisheries and other sectors will be maintained as offshore wind is developed further.

My noble friend Lord Young of Cookham made an important point about how much the Crown Estate has changed in recent history. He also asked whether its current structure, even with this modernisation, will be in line with best practice of modern governance. My noble friend Lord Bourne of Aberystwyth and many others mentioned the relationship with Wales. As I am sure other noble Lords do, I look forward to hearing what the Minister has to say on that.

As I said at the start of my remarks, we support the aims of this Bill. I recognise too that the Crown Estate is keen for the changes to be made. I am keen only to test that, given the haste with which the Bill has been brought forward by the new Government, their thinking behind those aims is fully developed, particularly in light of the setting up of GB Energy and the clean energy superpower mission. I look forward to the Minister's response.

6.48 pm

Lord Livermore (Lab): My Lords, it is a pleasure to close this debate on the Bill. I am grateful to all noble Lords for their contributions and questions. As I noted in opening, the purpose of this Bill is to make a targeted and measured enhancement to the Crown Estate's powers and governance. Without this Bill, the Crown Estate would continue to be restricted in its ability to compete and invest, and therefore to deliver returns for the public purse. This Bill therefore broadens the scope of activities that the Crown Estate can engage in, enabling it to invest further in the energy transition, and empowers it to invest in capital-intensive projects more effectively.

The noble Lord, Lord Young of Cookham, asked whether the current governance arrangements of the Crown Estate were fit for purpose. The Crown Estate is subject to the same governance as other central government bodies. As such, its accounts are laid before Parliament and audited by the NAO. In addition, it has an accounting officer who is answerable to Parliament for the stewardship of Crown Estate resources. However, ensuring that the Crown Estate has the best possible governance arrangements is central to this Bill. The Bill therefore increases the number of Crown Estate commissioners from eight to 12. This change will ensure that the Crown Estate can meet best practice standards for modern corporate governance. This will help to broaden the diversity of the board and provide more expertise and capacity to enable the commissioners to operate more effectively in the constantly evolving business environment.

The noble Lord, Lord Young of Cookham, also raised concerns about escheat, which relates to the complex process by which land that is ownerless falls to the Crown. On the specific example he raised, I will raise this with the Crown Estate and come back to the noble Lord with a more detailed response in due course.

The noble Earl, Lord Russell, asked about borrowing by the Crown Estate. The exact profile of lending would depend on a number of factors, including the timing and financing requirements of specific investments, as well as the extent to which the Crown Estate can generate funding by the disposal of non-strategic assets. The current expectations are that borrowing will not be needed until 2029 and is expected initially to be in the low hundreds of millions.

The noble Lord, Lord Bourne of Aberystwyth, also asked about the Crown Estate's borrowing powers. To clarify, the Crown Estate will have those powers as soon as the legislation is passed, but the first impact of the borrowing powers will be to enable the Crown Estate to run down its cash assets and make more efficient use of them. It therefore does not envisage using those borrowing powers, as I said, until the end of the decade.

My noble friend Lord Liddle asked about wider borrowing to meet our net-zero objectives. These borrowing powers are essentially about enabling the Crown Estate to make better use of its existing assets and to compete in the marketplace. They are, of course, not the full extent of our ambitions for new investment in clean energy. I point my noble friend, for example, to the national wealth fund that the Chancellor has announced, amounting to some £7 billion.

To reassure the noble Lord, Lord Howard of Rising, these borrowing powers in no way politicise or compromise the independence of the Crown Estate. It is the Crown Estate that has asked for the powers to make better use of its assets and to continue to maintain its estate. All borrowing will be subject to Treasury consent and will be within the fiscal rules.

The noble Lord, Lord Holmes of Richmond, mentioned additional financial instruments in terms of borrowing. The provisions contained in the Bill do not change the Crown Estate's existing powers to enter into joint ventures. With the benefit of the measures proposed in the Bill, though, the Crown Estate is less likely to engage in joint ventures and equity share opportunities as it will have greater flexibility to fund its capital investments.

Several noble Lords asked about the partnership with GB Energy, including my noble friend Lord Liddle, the noble Lord, Lord Bourne, and the noble Earls, Lord Courtown and Lord Russell. As important as the strategic partnership with GB Energy is, the Bill is

[LORD LIVERMORE]
not about that strategic partnership between the Crown Estate and GB Energy, nor about setting up GB Energy. The Government obviously share many of the ambitions set out by noble Lords ahead of the introduction of the GB Energy Bill; the Great British Energy Bill led by DESNZ has been introduced in the other place and its Second Reading is due to take place on Thursday. Throughout the next few months, DESNZ will take the important steps to put Great British Energy on a delivery footing, including announcing the location in Scotland of its headquarters and starting to recruit key roles into the organisation.

In answer to the noble Earl, Lord Courtown, the initial investment criteria for the Crown Estate will remain unchanged. The partnership will facilitate strategic alignment through a co-ordinated approach to deliver clean power. The Crown Estate will continue to be independent of the Government and the King; the partnership with Great British Energy will not affect its independence, which is set out in the Crown Estate Act 1961.

The noble Lord, Lord Turnbull, and my noble friend Lord Berkeley asked about the sovereign grant. The reforms contained in the Bill are separate to funding provided to the King; the King is not involved in the management of the Crown Estate. Since 1760, each monarch has surrendered the Crown Estate's revenue to the Exchequer in return for government support. Government support for the King is provided by the sovereign grant, which is currently set by a reference to 12% of Crown Estate profits.

However, the Sovereign Grant Act includes a statutory requirement to review the percentage rate used in the calculation every five years to determine whether it remains appropriate. Under the Sovereign Grant Act, the grant will next be reviewed in 2026. The review is conducted by the three royal trustees: the Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse. Where necessary, the Government lay a statutory instrument to amend the percentage used. For example, following the royal trustees' review last year, the rate was cut from 25% to the current 12%.

My noble friend Lord Berkeley also asked about the Duchy of Cornwall. As he knows, it is a long-established principle that income from the Duchy is independent of any government control.

My noble friend Lady Young of Old Scone asked specific questions on housing, nature recovery and biodiversity, supply chains, grid and environmental performance. On her question on the Crown Estate and housing, I agree wholeheartedly with the objectives she set out for the affordability and quality of housing. Housing is primarily a matter for the Ministry of Housing, Communities and Local Government. I hope that its forthcoming legislation will achieve many of the objectives she set out. However, while the Crown Estate is not a housebuilder at scale, it recently committed to supporting the country's need for better-quality housing. With the support of the measures proposed in the Bill, the Crown Estate can leverage its pipeline of 20,000 homes over the next 20 years and further its commitment to quality, sustainability and innovation.

On her question on nature recovery and biodiversity—which the noble Lords, Lord Teverson and Lord Holmes of Richmond, and the noble Baroness, Lady Bennett of Manor Castle, also touched on—stewarding the natural environment and biodiversity is core to the Crown Estate's strategy. These powers will accelerate the Crown Estate's leadership of nature recovery across land and sea through investment into the latest remote sensing and geospatial tools to map natural assets, developing its rural portfolio into an exemplar of large-scale, sustainable agriculture and environmental best practice.

On my noble friend's third question on supply chains, the Crown Estate prioritises the ethics of its suppliers, focusing on ethical and inclusive practices, health, safety and well-being, sustainability, privacy and information security and innovative business practices. Its suppliers must also commit to diversity, equity and inclusion, pay the living wage and comply with legal and industry standards.

Several noble Lords also touched on questions of the grid—which my noble friend originally raised—including the noble Lords, Lord Bourne, Lord Teverson and Lord Holmes of Richmond, and my noble friend Lord Liddle. The Government are committed to speeding up connections to the grid. Ofgem and government published a joint *Connections Action Plan* at the end of 2023 to improve the connections process and reduce connections timescales, which this Government are taking on.

The Crown Estate is already using its experience, data and expertise as managers of the seabed to feed into the new strategic spatial energy plan. The Crown Estate is also already working in partnership with National Grid to ensure that its current pipeline of projects, including its round 5 floating offshore wind opportunity in the Celtic Sea, can benefit from a more co-ordinated approach to grid connectivity up front.

On the question of environmental performance, the Crown Estate is committed to net zero within its own operations and developing net-zero targets and pathways to reduce emissions within its wider value chain, in line with a 1.5 degrees centigrade trajectory. To meet this ambition, its commitments include removing fossil fuels from its activity, reducing operational emissions for all assets and producing decarbonisation road maps for all assets and sectors.

The noble Lords, Lord Howard of Rising and Lord Teverson, asked about transparency. Ensuring the Crown Estate has the best possible governance arrangements is central to this Bill. The Crown Estate is subject to the same governance as other central government bodies. As such, its accounts are laid before Parliament and audited by the NAO. In addition, the Crown Estate has an accounting officer who is answerable to Parliament for the stewardship of Crown Estate resources.

The noble Lords, Lord Bourne, Lord Wigley and Lord Holmes of Richmond, and the noble Baroness, Lady Smith, touched on the question of devolution to Wales. The Government believe there is greater benefit—for both the people of Wales and the wider UK—in retaining the Crown Estate's current form. I know that the noble Lords who raised these points will not agree with me, but the Government's view remains that

devolving the Crown Estate to Wales at this time would significantly risk fragmenting the energy market, undermining international investor confidence and delaying the progress towards net zero by an estimated 10 to 20 years, to the detriment of the whole nation. I know that we will discuss these issues further in the noble Lord's Private Member's Bill.

The noble Lord, Lord Wigley, and the noble Baroness, Lady Smith, also asked about the communities of Wales benefiting from wealth generated by offshore activity in the Celtic Sea. The Crown Estate pays all its net revenue surplus into the Consolidated Fund—a combined total of more than £4 billion in the last decade—which is used to fund vital public services. Local communities already benefit from wider decisions on public spending as well as the investment by the Crown Estate.

Over the last 20 years, the Crown Estate has enabled successful delivery of a number of renewable energy projects in Wales, investing to position it at the vanguard of clean energy technology and growth. The Crown Estate has looked to ensure that the benefits of these projects are felt through communities and supply chains across Wales, including through the design of its most recent leasing round 5 and the launch of a pilot £10 million supply chain accelerator fund in 2024. Furthermore, while the scale of investment in Wales remains under development, it is anticipated that it could take up to 10 to 15 years to see a return on that investment. The breadth and diversity of the Crown Estate's broad asset base means that it is well placed to support these longer-term investments.

The noble Lord, Lord Wigley, also asked about the Bill applying to Scotland. The 1961 Act applies to Scotland and, under that Act, the commissioners can exercise their functions in relation to Scotland—so extending the Bill to Scotland is consistent with that position. The Crown Estate retains powers in relation to its ability to operate in Scotland. The Bill does not affect the management of property, which was devolved in 2016.

The noble Baroness, Lady Hayman, raised the possibility of introducing an objective for the Crown Estate to ensure that it has due regard for the environment and climate. The Bill does not propose a statutory objective, given the importance of preserving the independence of the Crown Estate and enabling it to compete on an equal footing with other private sector operators. However, the Crown Estate has existing governance structures in place to ensure that environmental impacts are a central consideration of its investment decisions. This includes a value creation framework, to ensure that decisions about its strategy, investments and other decisions are all reviewed through an environmental and social filter.

The noble Baroness also rightly raised the need to balance different priorities, particularly the need to ensure that there are adequate environmental protections in place for the development of offshore wind—a point also raised by the noble Lord, Lord Teverson, the noble Baroness, Lady Bennett of Manor Castle, and the noble Earl, Lord Devon. As with any developer, the Crown Estate's proposals go through standard planning approval processes, which include relevant environmental assessments. Under the Crown Estate's strategy, it has an objective to take a leading role in stewarding the natural environment and biodiversity. Key to delivering on this aim is managing the seabed in a way that reduces pressure on, and accelerates the recovery of, our marine environment.

The noble Lord, Lord Teverson, asked about the discussions that the Government have had with the Scottish Government on this Bill. Government officials have met with Scottish Government officials to discuss the nature and content of the Bill.

The noble Lord also asked about the responsibility for bottom trawling across the UK seabed, as did the noble Lord, Lord Holmes of Richmond, and the noble Baroness, Lady Bennett of Manor Castle. The scope of the Crown Estate's authority does not include the regulation of commercial fishing, which includes trawling. The regulation of fishing, including trawling, falls under the jurisdiction of the fisheries management regime, which is managed by the relevant marine environment management organisation of each devolved Government. A new by-law protecting an area of almost 4,000 square kilometres of our seas from damaging fishing activity, such as bottom trawling, came into force on Friday 26 March 2024. It prohibits the use of bottom-towed gear in specific areas in 13 English offshore marine protected areas that contain valuable reef and rocky habitats.

The noble Lord, Lord Holmes of Richmond, asked about how the Crown Estate will bring forward the development of the seabed and speed up offshore wind. The borrowing powers for the Crown Estate proposed by the Bill will act to accelerate and de-risk the sustainable delivery of offshore wind and other technologies, such as carbon capture and storage, wave, tidal and hydrogen. That activity may include but is not limited to: finding the best locations for energy projects, while considering nature and other seabed users, delivered via a new marine delivery route map; conducting technical and environmental surveys early to speed up development and approval processes; facilitating earlier co-ordinated grid connections by working with NESO, developers and stakeholders aligned with other strategic planning processes for the energy sector; and supporting the growth of the UK's energy supply chain with targeted investment.

The noble Baroness, Lady Bennett of Manor Castle, asked about the skills needs of the energy transition in relation to the North Sea. I completely agree with her that that must be key factor in, and a key part of, our skills agenda. The Government recognise that our offshore workers have vital skills that will unlock the clean industries of the future. We will continue to recognise the ongoing role of the oil and gas industry and workforce in our current energy mix, while ensuring that the sector contributes more to our clean energy transition.

My noble friend Lady Ritchie raised some concerns about the development of offshore wind and the fishing industry. The Crown Estate is committed to the sustainable management of the seabed and, where appropriate, collaborates with industry stakeholders, marine licensing bodies and environmental NGOs to ensure that activities on the seabed are conducted responsibly. I will seek

[Lord Livermore]
more information on the specifics of the consultation she asked about and will gladly write to her about them. I add that the Crown Estate will be happy to offer a further meeting with the relevant fishing representatives.

My noble friend also asked about how the partnership between the Crown Estate and Great British Energy would work for Northern Ireland. The Crown Estate has a diverse portfolio that includes the management of the seabed and half the foreshore around England, Wales and Northern Ireland. It plays a fundamental role in the sustainable development of those assets, including the UK's world-leading offshore wind, renewables and greenhouse gas reduction technologies. Together, Great British Energy and the Crown Estate will accelerate the development of the seabed in supporting infrastructure along the coasts of England, Wales and Northern Ireland, creating a pipeline of sites for private developers to invest in. That means more clean power happening faster than would otherwise be the case.

My noble friend also asked about the extent of the engagement between the Crown Estate and the Northern Ireland Executive. As custodians of the seabed, the Crown Estate has a role to play in supporting Northern Ireland's energy strategy, which includes the goal of delivering 1 gigawatt of electricity from offshore wind from 2030. As such, the Crown Estate works closely with stakeholders and officials in Northern Ireland across the Department for the Economy and the Department of Agriculture, Environment and Rural Affairs. The Crown Estate also collaborates with Northern Ireland in relation to the offshore renewable energy action plan, as it sits on its steering group. In the last 12 months, the Crown Estate has had more than 30 meetings with stakeholders in Northern Ireland on offshore wind and coastal and rural matters.

My noble friend Lord Rooker rightly drew attention to the nature of this Government's economic and wider inheritance—points I hope that he will have heard the Chancellor and other Treasury Ministers make repeatedly.

The noble Earl, Lord Russell, and the noble Baroness, Lady Kramer, raised concerns about the framework agreement underpinning any borrowing. The noble Baroness also asked about the business case. The business case was agreed by the previous Government in February 2023. I am happy now to commit to publish a version of that which removes any commercially sensitive information.

The specific information setting out the detail underpinning the borrowing powers will comprise two elements: a framework agreement and a memorandum of understanding. The framework agreement, which will be incorporated into the Crown Estate's existing framework document, will set out broad principles, such as limits on overall loan-to-value ratios and the requirement for borrowing to be at market rates. The memorandum of understanding will be in place between the Treasury and the Crown Estate and will govern how the borrowing powers will be exercised. The relevant work on the document has, until now, been on a slower timeframe than the legislation we are debating today. The Crown Estate does not expect to borrow until towards the end of the decade. I add that the changing investment landscape, with the creation of the national wealth fund and Great British Energy, may also make it sensible to complete this work to a slightly different timescale.

It is important to be clear that any such detailed borrowing contained in the memorandum of understanding is, by necessity, likely to include commercially sensitive information, and there has never been any intention that the MoU will be published. However, I can tell the noble Baroness that the memorandum of understanding will make clear that any borrowing by the Crown Estate will be at commercial rates, for subsidy control reasons, and be subject to Treasury consent. Values will be based on the total gross audited asset value of the enterprise, as reported in the annual report and accounts.

The noble Baroness is right to push us on a timeframe for the publication of the framework agreement, and I commit to write to her, before Committee stage, setting out the expected contents of the framework. I further commit that the framework will be published in draft by November.

The noble Earl, Lord Courtown, asked me a number of very specific questions. In the interests of time, if he does not mind, I will write to him with specific answers on each.

This Bill broadens the scope of activities that the Crown Estate can engage in, enabling it to further invest in the energy transition. It empowers the Crown Estate to invest in capital-intensive projects more effectively. Critically, these measures will unlock more long-term investment, increasing the contribution of the Crown Estate to creating high-quality jobs and driving growth across the UK.

The Earl of Devon (CB): Before the Minister sits down, I remind him that I asked a number of specific questions, as well as making some general points. I also emailed him in advance with those questions. I note that none was addressed in his summing up. Will he please undertake to write to me?

Lord Livermore (Lab): Of course, I am happy to write to the noble Earl. I beg to move.

Bill read a second time and committed to a Committee of the Whole House.

Vaping Products: Usage by Children

Question for Short Debate

7.09 pm

Asked by ***Lord Storey***

To ask His Majesty's Government what plans they have to address the number of children using vaping products.

Lord Storey (LD): My Lords, I start by declaring an interest as a vice-president of the Local Government Association. I thank all those organisations which sent me and Peers taking part in this short debate such

excellent, detailed briefings. It is a short debate, and my contribution will be short, because the issues that we need to address are pretty obvious and clear.

Vaping entered the market around 2003, and the use of vapes or e-cigarettes has risen rapidly. In 2020, 68 million adults globally used e-cigarettes, and in 2021, the figure was 82 million. NHS guidance is clear that vaping is substantially less harmful than smoking, and that it is one of the most effective tools for quitting smoking. But—a big but—vaping is not completely harmless and is recommended only for adult smokers quitting smoking or staying quit. Non-smokers and young people under the age of 18 should not take up vaping.

The UK Vaping Industry Association says that the rise in underage and illicit vape sales has become a key concern. It proposes a vape licensing scheme. The number of children and young people who are now vaping is increasing at an alarming rate. You only have to be near an inner-city secondary school at home time to see pupils vaping and, even more disturbing, passing the vapes on to younger children to try out.

When vaping first arrived on the scene, we were told that it would be an important support for adults to get off cigarettes, as I mentioned—that it would be an important aid to smoking cessation and was to be welcomed. But it has now grown into a billion pound-plus business, with vaping shops on every street corner. The industry went into overdrive to develop flavours and coloured packaging which would be attractive, particularly to young people. It is like some latter-day *Charlie and the Chocolate Factory*, with children being lured to the product, with all the consequent health problems.

The most recent figures on youth vaping from ASH show that almost 1 million young people aged 11 to 17 tried vaping in 2024. That is about 18% of young people. Nearly three-quarters—72%—of 11 to 17 year-olds reported exposure to vape promotion, an increase from previous years. The most common exposure was shops, at 55%, and online, at 29%. Despite laws prohibiting the sale of vapes to under-18s, 48% of underage vapers reported purchasing vapes from shops. Older siblings or older people will get them from the shops for them, or the shops themselves will sell them, wantonly breaking the law. Police and the trading standards departments of local authorities just do not have the resources to take meaningful action.

So what needs to be done now to protect children and maintain the promised purpose of vaping in helping tobacco smokers cease smoking? Maybe in the forthcoming tobacco and vaping Bill we should, first, treat vapes in the same way as cigarettes, including introducing standardised or plain packaging as an effective intervention. Interestingly, a recent study by King's College found that removing brand imagery reduced the appeal of vapes to teenagers without reducing the appeal to adults. Children are influenced by branding currently being used by manufacturers, and restrictions would be a simple method of reducing their appeal to children.

Secondly, we should ban and prohibit the commercial sale of all disposable vapes. By the way, this would also have a very positive effect on the environment. I take part in the Childwall litter pick once a month, and I can tell your Lordships that on my patch—the back alley of Childwall Triangle—the number of disposed vapes that we have to clear away is quite shocking.

Thirdly, we should support the call from the BMA for the Government to have education campaigns on the dangers of vapes to help reduce their appeal, especially among children and young people.

Fourthly, we need to tackle shops which sell vaping products to underage children and young people. It would be worth the Government giving serious consideration to the Local Government Association's proposals for giving local authorities the power to issue fixed-term penalty notices for breaches in the underage sale of tobacco products and vapes.

Finally, I want to make this important point. Some vapes which are declared as nicotine-free—that is, 0% nicotine—have, when tested, been found to contain levels of nicotine. Users of vapes, including underage children, may think they are avoiding nicotine by buying these products when in fact they are receiving a high dose of highly addictive nicotine. A 2023 study revealed that 51% of 11 to 17 year-olds who currently vape said that the e-cigarette they used most often contained nicotine, and 30% said it sometimes contained nicotine.

We want to do all we can to help adults give up smoking—of course we do—and vaping has a hugely important part to play in smoking cessation. The figures are impressive, but we do not want to see children and young people, through a combination of peer pressure, attractive, colourful packaging and enticing flavours, easily getting vapes and becoming the addicted smokers of tomorrow.

7.17 pm

Lord Winston (Lab): My Lords, the House should be really grateful to the noble Lord, Lord Storey, for introducing this debate. There are a few matters that I would perhaps want to wrestle with him about on this.

First, smoking vapes has been going on for a lot longer than the noble Lord said. In fact, the first vapes that I came across were invented by Herbert Gilbert, a scrap metal dealer in Pennsylvania who had nothing better to do but smoke cigarettes—he smoked two packets a day. Eventually he devised a very similar machine to the one that we have now, which was battery driven—it has been around a very long time. However, it did not take off—he took out a patent but it did not work—and since then there have been several attempts from various companies. It is only recently that there has been this sudden massive surge in interest in vapes. Of course, that includes what is really important and what I think the noble Lord forgot to mention: the need for research into what is happening.

There are many serious unknowns in the things which people say are proven about vapes. I do not want to argue the toss entirely, but certainly one problem we have straightaway is that most of the studies in the literature—by the way, hundreds of studies can be seen which are recorded; for example, in the National Institutes of Health database—show that in fact, many studies have been funded by the tobacco companies.

[Lord Winston]

The effects of vaping are still unknown. The amount of nicotine in a vape is about 1/20th of what it is in a cigarette, and a whole pack contains perhaps up to 200 milligrams of nicotine, while a vape contains probably something like 1/10th of that. However, one of the problems is that none of the researchers have really measured the number of puffs a day, nor the number of vapes which are taken, so some basic quantification is needed.

No clear health effects have been recorded in the literature. There are many suppositions about laryngitis and cancer—one of the very first things reported in the 1960s but which was probably from smoking cigarettes. There is no measure of dose, no numbers of puffs and so on, and such basic data are needed.

There is no question that there is possible serious damage from vapes, but it is not certain. For example, there is some evidence of possible cellular damage in the lungs and trachea, but nobody has found what one hoped to find—or, rather, did not want to find—which is carcinogenic effects. There have been no cancers in any research that I can find. There is no DNA damage, which is interesting, because cigarettes definitely cause DNA damage. There are psychotoxic effects. Cytokines such as interleukins and inflammatory products are occasionally produced, but this will happen, for example, during a heavy cold, and they do not lead to long-term effects. There is a problem with that.

Heat may be an issue with hot vapour. One problem now is that heat-not-burn cigarettes are available; they are used for marijuana, because it needs a much higher temperature to vaporise than does tobacco. You can heat tobacco just sufficient to get the nicotine but with marijuana you have to heat it much more. That may be much more dangerous, and certainly must be looked into.

Overall, it is clear from spectroscopy that has been done that there are at least 80 different compounds in the vapour of different vapes and they are not standardised. I argue that this is something that we need to think about. Clearly, there is no regulation of vapes and no regulation of what they contain. That is what we should argue for initially, until we understand it better. It is true that this has attracted American attention. President Trump was the president responsible for banning vapes for kids, which is interesting. We need to do that.

I end on a nice bit of good news. Vapes do not seem to harm fertility. I am pleased to tell you that studies by doctors in Germany have shown that neither fertilisation nor embryo growth are affected by this. This is important too, because women worry deeply about smoking in pregnancy. I am not going to say whether it is a good or bad thing in pregnancy; that is not the point. I want to emphasise that the research is not adequate at the moment to make very clear judgments about vaping.

7.22 pm

Lord Bethell (Con): The noble Lord, Lord Winston, may be right that vaping has been around for longer than we think, but the current boom came out of a deliberate exercise by two academics at Stanford University, Adam Bowen and James Monsees, in 2005, to find a medical technology that would give people a route out of smoking which would give them the same social interaction—the smoking, the fiddling and the what have you. They deliberately sought to find a device that would help people give up smoking. In this endeavour they succeeded fantastically well. The business that span out of their work in Stanford became Juul, the big success story in the American vape industry, sold in 2017 for billions. In that respect, it is a wonderful success story of how medical technology can be used to crack one of the big, difficult knots in our medical challenges.

We should be honest with ourselves. In the UK, smoking cessation has completely stalled. There are still 50 million cigarettes smoked every day by around 15% of the country. There is no way that we will hit the 2030 smoke-free objective that we have set for ourselves on the current trajectory. In some demographics—the poorer demographics—we will not get there until 2050, if at all.

Vapes are a really promising opportunity—a way out. This is innovation at its best. However, vapes also present us with a classic but horrible public health dilemma: in seeking to forestall one deadly epidemic, we might accidentally be creating another one. Clearly, the vape companies, now largely owned by the tobacco companies, are targeting children. My noble friend Lord Storey put it really well. The statistics are plain. They have created a £1.5 billion nicotine addiction industry here in the UK, which is mostly made up of young people who have never smoked and never intended to smoke. I find that extremely uncomfortable.

As noble Lords have pointed out, current regulation is completely failing to prevent young people taking up vaping. I say this with due consideration of and respect for the efforts of those concerned, but the truth is that trading standards officers, HMRC inspectors, MHRA officials and local authorities are tripping over each other to try to find a way to control this. But the business moves more quickly than regulators can adapt, and, frankly, it is a bit of a mess. I have little hope that the various piecemeal ideas that are being proffered will be an effective answer.

This state of confusion is compounded, as the noble Lord, Lord Winston, quite rightly pointed out, by the ambiguity around the long-term health implications of vaping. I am a lay person, not a clinician, but I think I would be right to summarise by saying that although there is not conclusive evidence today that vaping is bad for you, there is enough on the books to make us worry that there is a fair chance of significant consequences sometime in the future.

What we end up with is a debate around whether we should have flavours, but we should be honest: the debate around flavours is a bit of a legislative displacement exercise. Flavours are intrinsic to the attraction of vapes, both to adults and to children, but the real dilemma facing us as legislators is how comfortable we feel about this industry growing in size. Are we comfortable with the number of vapers in the UK rising from 5% of the country to 15% or 25%? Are we comfortable with the industry being worth £3 billion or £5 billion, or maybe more? Are we comfortable with it attracting

largely a poorer consumer group, for vapes to be used largely by young people and children, and for it to store up a potentially massive healthcare liability for the future? Those are the key questions. Or are we so worried that our smoking cessation tool may become a backdoor for another nicotine addiction sector that has dangerous health effects that cost our society another fortune, just like the tobacco industry did, that we should close the whole thing down, as many other countries have done or are trying to do? Is there a way of using regulation to walk the line between these two vivid and quite different choices?

This is the dilemma facing many areas of consumer medical advance. There is a wonderful revolution in the world of medicinal innovation. We must work much harder on the edge cases to make this bountiful for our taxpayers and our patients. This is true in nutrition, medtech, social media and many other fields. Let me give three quick examples.

There is mounting evidence that hallucinogenics might offer treatment for the horrible effects of PTSD. We should probably be encouraging more investment and research, but we will need a regulatory regime that prevents misuse of these potent drugs. After 10 years at the Ministry of Sound, I can testify that they can have both wonderful and devastating effects on one's psyche.

Ketamine technology is being offered as a new treatment for unlocking psychological challenges, and I know many people who swear by it. However, I read with anger, as other noble Lords might have, about the death of Matthew Perry, the "Friends" star who died when his cynical doctor overprescribed the drug in exchange for hundreds of thousands of dollars in fees.

Cannabinoid medicines are another case. They offer treatment for those with epilepsy. Campaigners have argued very persuasively for more investment and research, and that they have been held back by arcane attitudes and laws about drug control. Recreational users of cannabinoids argue that edible highs are a healthy alternative to booze. I have grave concerns about the legalisation of cannabis, but, with global attitudes changing quickly, it is surely a possibility that this could happen here in the UK. Too many countries have already legalised marijuana without enough thought; they have not done the boring but important regulatory work around taxation, packaging, sanctions and transparency that encourages responsible behaviours.

We used to live in a binary world where medicines were for doctors, narcotics were for the police and there was a duty for the taxman to collect. But now we are in a more complex world of vapes, hallucinogenic treatments and cannabinoid edibles, where there is a leisure industry, a cosmetics industry and a nutrition industry all with one foot squarely in the medical world and aggressively trying to bend the rules to their advantage. Quite rightly, these industries are making claims that their products can help promote healthiness and fight disease. They have a point: we cannot rely on hospital treatment of disease alone to make Britain healthy. But this shambles around vaping flavours demonstrates what happens if the regulators are fragmented and decision-making does not keep up with innovation. That is why I encourage the Minister to really get stuck into the detail; to bring the various regulators together; to assign responsibility; to insist on much clearer data and reporting from the industry; to set deadlines for changes; to timetable reviews; to move quickly to close gaps; and to identify ingredients—as the noble Lord, Lord Winston, rightly pointed out.

We have a huge opportunity to apply exciting innovations to help the health of the nation and to build valuable businesses, but that is not going to work if our regulators are heavy-handed and move so slowly. Thesequasi-medical industries depend on an unremittingly activist approach to regulation and I ask the Minister to commit to more agile supervision than we have shown around vapes to date; to be prepared to close down bad behaviours when they are explicit; to put in place strict descriptions of what vapes can contain; to look very seriously at the licensing regime, as the noble Lord, Lord Storey, recommended; to look closely at advertising restrictions that get round many of the restrictions that we have on tobacco; and, if necessary, to act firmly in order to protect the vulnerable.

7.31 pm

Baroness Walmsley (LD): My Lords, a YouGov poll this year showed that almost 1 million young people under 18 have tried vaping, almost half of whom have only tried it once or twice. That leaves half a million who regularly use a product that is illegal for people to sell to them, and which is probably harmful to their physical, mental and social health. This indicates that half of those who try vaping once or twice go on to become regular vapers. Most children who try their first vape obtain it from a friend, although some obtain it from companies that give them away free, which unfortunately is still legal. You have to ask why companies do that. The answer is obvious: to encourage a child to like the vape and buy more, and for many to become addicted to the nicotine in them and carry on vaping for years. Will the Minister confirm that this loophole will be closed?

Children are being manipulated by the manufacturers, some of which are tobacco companies trying to remain profitable for as long as possible by using attractive packaging, colours and flavours; it is a bit like some unhealthy foods. More research, as we have heard from the noble Lord, Lord Winston, needs to be done on the toxicology of these colours and flavours—perhaps the Minister could say whether the Government are funding any.

Research has shown that children are more attracted to colourful branded packaging than to vapes in a plain package, such as is now mandatory for cigarettes. For adult smokers who wish to carry on—probably for good reasons—branded or unbranded packaging does not make much difference at all, and this indicates that, at the very least, removing brand imagery from single-use vapes, which are the product of choice for children, could have an impact in reducing the appeal of e-cigarettes for young people without compromising their legitimate appeal to adult smokers who are using them to quit smoking tobacco. Colours, images and flavours attractive to children must go: will the Government legislate for this?

[Baroness Walmsley]

Far too many young people find it easy to obtain vapes from shops, street markets and online. There seems to be very little enforcement of these illegal practices, but I think this is because of a lack of resources among local authorities to do it. Will the Government consider the impact of this lack of enforcement and introduce a licensing system with substantial fines for those who sell vapes without a licence and for all outlets who sell to children, as well as any unlicensed vaping products? Research shows that a third of vapes reaching UK retailers do not comply with regulations, and there should be fines for selling these, too.

For many young people, it is hard to avoid the promotion of vaping. Nearly three-quarters of 11 to 17 year-olds reported that they were exposed to vape promotion, which is an increase from previous years. Only one in five said they did not see promotion of e-cigarettes at all. The most common source of exposure, as my noble friend Lord Storey said, is in shops and online. Why do companies spend the money on the promotion? The answer is clear: because it works. Vapes should always be behind the counter in plain displays, and that should apply to petrol station shops and convenience stores, too. I was at a petrol station the other day and there were multicoloured vapes right next to the till—far too attractive. We have to make vaping boring, because research by the NUT found that about 30% of young people vape by the time they leave school, and some of its research found that some of the vapes had been adulterated with other drugs—including heroin, which is unbelievable.

Vaping was introduced and made legal in this country to help smokers stop killing themselves with tobacco and to protect the NHS. That is what vapes were meant for—all well and good. The Government are rightly proposing to gradually phase out the legal selling of cigarettes by raising the age of a customer to whom it is legal to sell them. If vapes are harmful—and of course they are, because they contain the addictive element nicotine—why not also phase out their sale except in medical circumstances? Children's lungs and brains are more sensitive to nicotine and all the other additives than those of adults. That is why the current age restriction was introduced in the first place. But the horse has already bolted. Although four out of five children aged 11 to 17 have never tried vaping, which is good, over a third of those who have tried it have never smoked; that is significant. Yet this is a product that is promoted as a device to help people stop smoking.

There is already evidence that young people below the legal age are addicted to vapes because of the nicotine in them. I heard a young man on television the other day saying that—and by the way, he said "unfortunately". That was clear from the YouGov poll. In 2020, only 26% of young vapers reported strong, very strong or extremely strong urges to vape, but this year it is up to 44%. Only one in 20 young vapers say they usually use a so-called nicotine-free version. Presumably they are the clever ones who understand the dangers of nicotine addiction, but some are choosing products with levels of nicotine even higher than the legal level for adults, and that is very dangerous. Local authorities report children approaching them for help to stop vaping, but they do not have any resources to provide that service and that must change, alongside the new legislation which we are expecting soon. Can the Minister say whether the Government plan to provide those public health resources alongside that legislation?

It may be helpful to look at why children use vapes. Most say they just try it to see what it is like, not realising that it could become addictive; some say it is because their friends do it and it is cool to vape. Some say they think it is helping with their mental health; that is very worrying, and nobody seems to be telling them that becoming dependent on vaping could do entirely the opposite.

That brings me to education and information. Many teachers are concerned about the disruptive effect of vaping on children's education. Some children crave nicotine so much that they vape in class, or in the cloakroom, and it has even been reported that they miss lessons in order to vape. Teachers are crying out for resources to help them educate children about the many harms of vaping, which half of them know is better than smoking, but half of them think is just as harmful and do it anyway. Are the Government planning to ensure that appropriate resources are provided for teachers to help children discuss the issue of vaping in a way that is respectful of the pressures on young people and therefore likely to be more effective? This is a complex issue with strong public health, economic and educational consequences, and I look forward to the Minister's reply.

7.39 pm

Baroness Bennett of Manor Castle (GP): My Lords, it is a pleasure to follow the noble Baroness, Lady Walmsley, and to thank the noble Lord, Lord Storey, for securing this very important debate and reminding me that I should declare my position as a vice-president of the Local Government Association.

Seeing this on the Order Paper took me back to a moment when I really saw how much of an issue vaping is becoming. I was on a local train in the West Midlands when a young woman, maybe 18, was chatting on her phone to her friend. I remember the vehemence of the sentence that she stated then, talking about vaping: "You just need it so desperately; it's much worse than cigarettes". That point of addiction in the way that vaping is experienced by young people was driven home to me by that individual circumstance. This is a significant health issue.

It is worth looking at the fact that behind this is a semi-success story. The indoor smoking ban that came in in 2007, fairly strong labelling laws, education, and provision of cessation help have had a big impact. However, as the noble Lord, Lord Bethell, says, we seem to have hit a brick wall in making progress.

What has happened, as happens so often when regulating big business, is that an escape clause was levered out: vaping. It has become a new method of keeping big tobacco in business. All bar one of the giant tobacco companies have made substantial investments, as outlined by the Tobacco Tactics project of the University of Bath. I must ask the Minister a

question here: are the Government concerned about the potential lobbying impacts of big tobacco on the operations of Government and Parliament? Do they intend to act on that level of influence, which is a threat to future action?

The noble Lord, Lord Winston, accurately said that there is a huge amount of uncertainty and that future research is needed. I was looking at a 2022 state-of-the-art review from the *British Medical Journal,* by Andrea Jonas, titled the "Impact of Vaping on Respiratory Health". A sentence in it really struck me:

"The public health consequences of widespread vaping remain to be seen".

We need to apply a precautionary principle, as was said by the noble Baroness, Lady Walmsley. Young people, who still have underdeveloped lungs, are taking who knows what substances into their lungs—certainly the Government do not know; no one really knows. Basic common sense says that this will certainly not be good.

It is worth looking at the figures. I am relying on the extensive briefing from the British Medical Association, which I am sure most noble Lords have received: 7.6% of 11 to 17 year-olds are vaping regularly or occasionally. That compares to 1.3% 10 years ago, so this really deserves the term "epidemic". The YouGov survey quoted in the very useful Library briefing shows that 18% of 11 to 17 year-olds have tried vaping. That is nearly 1 million children. This is not a fringe concern.

As other noble Lords have said, many children are buying these products from shops illegally. This is very clear. It is also clear that many products are sold that do not meet health regulations. It is worth looking at the context in which this operates. I note a recent interview with the chief executive of the Chartered Trading Standards Institute, in which he pointed out that trading standards are not protected in local government budgets in the way that adult social care and children's services are. Those two elements make up 80% of the budgets of many local councils. Trading standards are just one of the many essentials that have been squeezed and squeezed again.

This is a really useful case study in taking on the rhetoric that we hear all too often about how terrible red tape is. Protecting our children from dangerous substances and making sure that the law is enforced in shops is what some would call red tape, but I say that they need to be properly funded and supported. Among the many briefings that we have received is one from the Association of Convenience Stores stressing the cost of fully enforcing vape legislation. I was not entirely clear about where it was coming from, but it makes the point that, if we are going to do anything about this, we cannot just pass laws; we also need to fund their enforcement.

I noted in the King's Speech in July that a tobacco and vapes Bill would be reintroduced. Can the Minister indicate whether that will include the promise of enforcement for whatever that Bill contains?

I pick up the point made by the noble Lord, Lord Bethell, about the need to future-proof that Bill. We are already seeing, in expectation of restrictions and controls coming in particularly on single-use vapes, that companies are adapting. We are seeing reusable replacements for these disposable single-use vapes already on the market, carrying the same brand name and looking very similar in product design. It is very hard to tell the difference between the single-use and the reusable. This is one of the ways in which people are attempting to intervene before the restrictions come in.

Another area that we need to look at very closely is nicotine pouches. Usage in the UK is relatively low compared to some other countries, but people in the social media world tell me that this area is exploding. We need to look at what restrictions might be placed on those products and how we stop creating an open door to be driven through.

As a Green, I feel that I must finally pick up a point made in the introduction by the noble Lord, Lord Storey, about environmental impacts, particularly of single-use vapes. We are talking about children's health, but plastic in the environment is significant to the health of all of us, particularly children. I point to a recent study; I urge noble Lords to look it up if they have not seen it. A study of a sample of human brains found that they consisted of 0.5% plastic. Microplastics are everywhere: they are in testes, placentas, breast milk and brains.

Think about the world in which our young people live. In the UK, 1.3 million of these battery-powered devices, usually plastic, are discarded every week. Some 10 tonnes of lithium are thrown into the environment, which is sufficient to manufacture 1,200 electric car batteries a year. As with so many issues, this is a public health issue, an individual health issue and an environmental health issue. We need to look holistically at many of these issues from that one-health frame.

7.48 pm

Lord Naseby (Con): My Lords, I have no direct involvement in this industry but it is fair to say that, back in the early 1960s, I was a director of an advertising agency responsible for Gallaher products. In my 50 years of work, both here and in the other place, I have taken a continual interest in the industry and the challenges it has faced. At this time, those challenges are quite clear. Sadly, the situation in that industry is one of good, responsible manufacturers and illicit marketing by others—mainly from abroad, but not entirely.

The industrialists who are marketing here responsibly have recently called for more regulation—not less—to tackle the worrying rise in youth vaping. As I understand it, they have called for a ban on packaging with youth appeal, reform of the flavour names to get products such as "gummy bear" and "unicorn" off the shelves, and the creation of a retailer licensing scheme. The latter would not only prevent irresponsible retailers selling to underage customers but help to stop the sale of illicit vapes by shopkeepers.

That is on the one hand. On the other, we have to recognise that vaping has helped reduce consumption of cigarettes. That is a tribute to our Governments over the years and the work between, usually, the Department of Health and the relevant manufacturers. It is a success. We are now down to 12.9% of the nation smoking. Not so long ago, 50% of the nation smoked. That advance is a tribute to our Governments;

[Lord Naseby]
indeed, my noble friend Lord Bethell was one of the Ministers who helped to achieve that. We are getting between 50,000 and 70,000 people to quit thanks to the availability of vaping, because those smokers try vaping, the majority of them find it helps and they stop smoking. A very significant sum of money is saved, certainly in terms of the cost to the National Health Service.

Yes, the statistics among the young are going up—or they have been, to be more accurate; it appears from the latest ASH report that they have stabilised. Yes, nearly 20% of 11 to 17 year-olds have tried vaping, but that leaves 80% who have not. Of those who have tried, a third are now vaping, but that means two-thirds have rejected it. It should not be terribly difficult to get a handle on that. That is the challenge that we face.

For me, this is the key point as far as the smoking side is concerned: whoever is involved must remember very carefully that if anybody was to ban single-use vapes, alongside other restrictions such as on flavours, display and packaging, 58% of current smokers who vape said they would either continue to purchase single-use vapes from illegal sources or switch back to tobacco. We do not want that to happen. That seems fundamental to the way forward.

The last Government had the Swap to Stop scheme, which had some success. It delivered many tens of thousands of refillable vapes to adult smokers, as evidenced by a recent survey by the IBVTA, where more than 57% of e-liquid supplies were fruit flavoured. That is good news. Also, a code of conduct is now in place with the leading manufacturers, which was not there until relatively recently. They have embraced ensuring that product flavours are responsibly marketed and state that the use of emotional flavour names has no place in a legitimate market. The regulation of flavours must be carefully considered, given their clear importance to adults quitting smoking and preventing adult vapers switching back.

For me, the key to all this is that, as a nation, we have a compliant sector that—as far as I can see, as someone who tracks it a bit—has invested significant resources to meet environmental compliance targets through producer compliance schemes and retail take-back. If we were tempted to go down the route of prohibiting a whole class of products, we would undermine the points I made about the effect on existing people who want to quit.

I hope that before His Majesty's Government take any further action they look at what has happened in Australia and the US recently. There are some reports out from both those countries, where there were unintended consequences. Those are well worth looking at.

At the end of the day, a third of the market comprises illicit vapes. That is a huge percentage, and those illicit vapes are unregulated, untested and a material threat to consumer safety. We have to deal with that situation. We need a comprehensive and collaborative enforcement strategy, with resources for trading standards and related enforcement. It may well be that we need a retail licensing scheme on top of that as a key to that policy. If we went down that route we would, in my judgment, make good continuing progress on helping smokers to get off smoking and put a cap on what has been happening among an element of our young people.

7.55 pm

Lord Foster of Bath (LD): My Lords, I congratulate my noble friend Lord Storey on securing and so effectively introducing this wide-ranging debate. Like him, I am enormously grateful to the many organisations, including the Library, that have provided such useful briefings for us. They made quite worrying reading. For instance, I learned from Society Inside that

"almost 1 million young people have tried vaping"

and, crucially, that

"by the time they leave school over 30% regularly vape".

It is very clear from the debate so far that there is widespread support in your Lordships' Chamber for action to stop children using vaping products. I suspect that there is widescale support for the view of the Chief Medical Officer that

"marketing vapes to children is utterly unacceptable".

I certainly share those views, so I am particularly pleased that the current Government are picking up where the last one left off with what they claim will be measures to further combat smoking and youth vaping. I very much hope that we will hear more about those plans when the Minister winds up.

But I strongly agree with those who have pointed out that new legislation alone is not enough. After all, the vast majority of those 1 million children who have tried vaping bought vapes either from shops or online, so it is quite clear that current legislation, which bans their sale to under-18s, is not being effectively enforced. Improved enforcement will be a vital component of any new measures that are introduced. It is worth recalling what an important role local authority trading standards departments have to play in this. Yet, as we know, they are very badly underresourced. Any new measures must include additional resources to enable the training of additional trading standards officers.

While bearing in mind that we also need to have tougher deterrents, such as higher fines, for retailers that break the law, we must recognise that we have a huge backlog in our courts. I hope consideration will also be given to allowing the use of fixed penalty notices against those who flout the rules.

I want to make just two points to help strengthen the case for action, one relating to health and one to safety issues around lithium-ion batteries. To echo the concerns of the noble Lords, Lord Winston and Lord Bethell, and others, I acknowledge that we have the benefit of more than 60 years of research into the links between smoking and health—research that has led to many of the measures that have been taken to reduce smoking so effectively, as the noble Lord, Lord Naseby, reminded us—but research into the health risks associated with vaping is in its infancy. The medical department of Johns Hopkins University in the States recently wrote:

"With tobacco, we have six decades of rigorous studies to show which of the 7,000 chemicals inhaled during smoking impact the lungs. But with vaping, we simply don't know the short- or long-term effects yet and which e-cigarette components are to blame".

But the emerging findings are worrying. The World Health Organization has said that vapes are harmful and that the dangers of vaping, especially by children, are of concern. Prior to becoming Secretary of State for Health, Wes Streeting MP pointed out that although vaping helps smoking cessation,

"we should not send the message to the country that vaping is good for our health or that it is without harmful consequences".—[*Official Report*, Commons, 16/4/24; col. 196.]

We already know of the presence of cytotoxic metals and silicate particles and of a range of chemicals in e-cigarette vapour that can lead to lung tissue inflammation and damage. I know a little of this from personal experience. I used to be a heavy smoker, but several years ago I was able to quit by becoming equally addicted to my vape. Then one night, during the election campaign, I coughed up a great deal of blood. A range of tests led to the discovery of three lumps in my lungs, with the suspicion that I had lung cancer. Fortunately, further tests revealed that the lumps are not cancerous—at least, not yet. No one was entirely sure what had caused the lumps to develop, but I felt pretty certain that the vaping had been a major contributory factor.

Of course, I am well aware of the dangers of amateurs doing Google searches about their own health. However, I did the reading about vaping harm. As a result, I am pretty certain that I have vaping-related lipoid pneumonia resulting from inhaling oily substances found in e-liquid. Of course, I do not really know, but I do know that while vaping may be safer than smoking, it is not without its dangers. This is especially so for children, which is why there is an urgent need—even in the absence of the additional research that is desperately needed—to adopt, as the noble Baroness, Lady Bennett, pointed out, the precautionary principle and to take all necessary steps to stop children vaping.

My second point relates to the safety of lithium-ion batteries which power vapes. I have frequently raised my concerns about the safety of lithium-ion batteries in your Lordships' House. They are increasingly important. They store more energy than any other type of battery, allowing for longer use, but if overheated through misuse, damage or using substandard charging, they can create fierce fires with very high temperatures that are difficult to extinguish and which release toxic gases.

In the context of vaping, it is the disposable vapes that are the most concerning. It is estimated that well over 84 million disposable vapes are thrown away each year. As the noble Baroness, Lady Bennett, pointed out, that is 10 tonnes of lithium thrown away every year. But the real worry is how disposable vapes are got rid of. Producers of vapes are not doing what they should to recycle electrical waste from vapes. Shops selling vapes often do not, as they should, have recycling points. So most disposable vapes simply end up in domestic rubbish. They get picked up by refuse vehicles, which then compact all the rubbish in a process that can damage some of the batteries and lead to thermal runaway fires in the vehicles. There has been a huge increase in the number of such fires in the last few years, and even if they are not damaged in the refuse vehicle, they can be during the compacting process at landfill sites where, again, the number of fires has increased significantly. On these and related environmental grounds alone, there is a strong case for banning all disposable vapes, and I hope that the Minister will assure us that this will be included in the Government's plans.

Finally, I should point out that when I did vape, I never used disposable vapes, but now, given my own experience, I do not use any type of vape and have to rely on gum to help my addiction instead. I just hope that measures will soon be in place that prevent children needing to do the same.

8.04 pm

Lord Evans of Rainow (Con): My Lords, I thank the noble Lord, Lord Storey, for securing this important short debate on the issue of children using vape products. He is absolutely right about the detritus left by vape products in our communities across the United Kingdom. I also say well done to the noble Lord, Lord Foster, for giving up smoking—he is an inspiration to all noble Lords who wish to do likewise.

We know that the NHS sees vaping as a pathway away from smoking cigarettes for adults, but vaping is not completely harmless and it is recommended only for adult smokers who are trying to give up smoking. According to a report from Action on Smoking and Health,

"vapes have been the most popular aid to quitting among those who have successfully stopped smoking in the last 5 years".

While this is good news, another report from that organisation found that the proportion of children experimenting with vaping rose from 7.7% in 2022 to 11.6% in 2023. Furthermore, the World Health Organization has raised concerns about the long-term effects of nicotine on brain development in children.

As has been acknowledged by the noble Lords, Lord Bethell and Lord Naseby, and other speakers, the previous Conservative Government recognised the urgency of this issue and took important steps to tackle advertising of vapes targeted at children. But clearly there is a lot more to do.

A key finding from the previous Government's call for evidence on vapes highlighted the appeal of flavoured vapes in attracting children to vape products. Such flavoured vapes are often displayed near sweets and other confectionery, making them easily accessible and appealing to children. Research has shown that:

"Packaging and design features of vapes … appeal to children".

This finding led the previous Government to propose stricter regulations on packaging and display of vapes.

While it is already illegal to sell vaping products to young children, we need robust enforcement measures and trading standards need to be provided with the resources and power to seize illegal products, impose fines and ban retailers who break the law.

Beyond advertising and enforcement, schools have an important role to play in teaching students about the risks of nicotine addiction and the potential harms associated with e-cigarette use, so as we work to prevent children accessing vaping products, we must ensure that adults can continue to access vaping products as an effective pathway away from smoking.

[Lord Evans of Rainow]

On the Government's wider policy, the Prime Minister recently suggested that the Government will go further, with a proposal to ban smoking by adults in outdoor spaces. This threatens the future of Britain's pubs and clubs, and the Opposition do not support the proposal. Pubs are the lifeblood of communities across Britain but, according to reports, this measure could put the survival of one in eight pubs at risk. Pubs are a force for good, and this is the latest in Labour's assault on small businesses. We will be holding the Government to account on their decisions. This will seriously affect the hospitality industry, which is already under strain. We must ensure that regulations are balanced and do not inadvertently harm other sectors in the economy.

Action on Smoking and Health gave oral evidence to the Health and Social Care Committee, urging that the committee recommend that the Government toughen vape regulation, including: putting vapes out of the sight and reach of children; prohibiting the promotion of e-cigarettes in shops; limiting where they can be sold; putting vapes in plain packaging to make them less appealing to children; and prohibiting sweet names, bright colours and cartoon characters. While we should consider any unintended consequences, we think that these are serious proposals that should be considered.

In conclusion, while the Opposition remain firmly committed to working with His Majesty's Government to tackle underage vaping, will the Minister clarify the Government's position on a number of issues? Do His Majesty's Government support the introduction of a licensing system for retailers selling vapes to help combat illicit sales? Which of Action on Smoking and Health's proposals do the Government support? Are the Government committed to banning cigarette smoking outdoors and will the Minister commit to coming back to the House to make a Statement on those proposals? I look forward to the Government's response.

8.08 pm

The Parliamentary Under-Secretary of State, Department of Health and Social Care (Baroness Merron) (Lab): My Lords, I congratulate the noble Lord, Lord Storey, on securing a debate on this important and current issue. I, too, appreciated his introduction and the way in which he and the noble Lord, Lord Bethell, described the explosion of vaping and put it in the context of a situation that has perhaps gone way beyond being an aid to quit smoking, something that I think that speakers in this debate, including the noble Lord, Lord Naseby, acknowledge.

I share many of the concerns raised about the growing problem of youth vaping. The rate of children who vape has tripled in the past three years, and nearly one in five children has tried vaping, which I find deeply disturbing. This cannot go on. I assure noble Lords—I hope this is one debate in which I can bring good news to most noble Lords—that we will take bold action to reduce the number of children using potentially harmful products because the health message is very clear: if you smoke, vaping is much safer, but if you do not smoke, do not vape. Marketing vapes to children is unacceptable.

I am pleased to have the opportunity to provide an update on what this Government are doing to tackle the issue through the upcoming tobacco and vapes Bill, as well as on the action that we are taking now by strengthening enforcement activity and education. It is shocking that vapes and other nicotine products are being deliberately promoted to children. This should never happen. That is why His Majesty's Government will go further than the previous Government, as was set out in the Labour manifesto. We will ban vapes being branded and advertised in ways that appeal to children and will stop the next generation becoming hooked on nicotine. The tobacco and vapes Bill will make that manifesto commitment a reality, and I am sure that noble Lords will be interested to know that I can say that it will be introduced very soon.

Noble Lords focused, rightly, on limiting the appeal of vapes to children. It is cynical to target vapes to children through not only direct marketing but colourful packaging, vibrant in-store displays and the large variety of apparently appealing flavours, such as gummy bear and cotton candy. This is abhorrent, as the noble Baroness, Lady Walmsley, rightly pointed out. To reduce the appeal of vapes, we will limit the range of flavours available and introduce limitations on packaging and shop displays. This will be done through secondary legislation as soon as possible after the tobacco and vapes Bill has passed. We will undertake consultation on these measures to inform our approach in order that we can get it right.

There has been much reference today and previously in your Lordships' House to disposable vapes. They are also playing a significant role in driving youth vaping. They are cheap and easily accessible, with more than 50% of child vapers using them, as the noble Lord, Lord Storey, highlighted. Single-use products are causing significant environmental harm, with 5 million disposable vapes being littered or thrown away in general waste every week. I am sure that noble Lords will welcome the fact that my ministerial colleagues in Defra are reviewing proposals to restrict the sale and supply of disposable vapes and will outline their plans shortly.

We are also considering introducing an excise duty on vaping products. We know that young people are price-sensitive; this could therefore be an effective way to reduce the appeal of vapes. However, as noble Lords have indicated, we do have to get the balance right. We need to prevent youth access on the one hand while utilising them as a proven quit aid for adult smokers on the other. So it will be important to maintain a price differential with tobacco to support adult smokers to quit.

Noble Lords were right to raise a number of points about enforcement measures. We are taking strong action against businesses which knowingly sell vapes to children, and which sell illicit and unregulated vapes, which we know can be very dangerous. I am sure the noble Lord, Lord Storey, and other noble Lords will be pleased to know that the tobacco and vapes Bill will introduce new fixed-penalty notices in England and Wales, which can be issued by trading standards officers for breaches of certain offences, such as age of sale. This will allow trading standards to take quicker action against retailers who break the law instead of escalating to a court process.

The noble Lord, Lord Storey, and the noble Baroness, Lady Walmsley, asked whether the Government will consider introducing a vape licensing scheme. As was rightly pointed out, licensing may well be beneficial for strengthening enforcement, supporting legitimate businesses, deterring rogue retailers and, ultimately, of course, supporting the mission of improved public health. It is an area that we are actively considering for inclusion in the Bill.

Lord Foster of Bath (LD): I apologise for interrupting the Minister. Just before she leaves the issue of enforcement, can she confirm whether additional resources will be made available to the various enforcement agencies?

Baroness Merron (Lab): The noble Lord, Lord Foster, must have predicted that this is the very next point I am coming to; I am grateful for the warm-up. The noble Lord, Lord Foster, and the noble Baroness, Lady Bennett, asked about funding in respect of enforcement. I can share with your Lordships' House that we are providing more than £20 million per year to HMRC and Border Force to support their illicit tobacco strategy.

We will continue to work with local authority trading standards to understand how new funding can support them to undertake local-level enforcement and help introduce new measures in the tobacco and vapes Bill. I know that this is of great concern to the LGA and the many vice-presidents that we have the pleasure of hearing from in your Lordships' House. Any future funding decisions will, of course, be confirmed through the spending review process, but we are alive to the points that noble Lords have made on this.

To further comment on enforcement capability, we are providing £3 million of funding over two years to a programme being led by National Trading Standards called Operation Joseph, to reduce the sale of illegal vapes and nicotine-containing vapes to under-18s. This builds on existing work by trading standards officers across the country to tackle illicit vapes.

On educating children, this is a key issue, as noble Lords will be aware. We are also educating children on the dangers of vapes, to prevent their use in the first place. The school curriculum includes reference to the health risks of vaping and information is available on the Talk to FRANK website. Resources for teachers, including lesson plans, are also available on the DHSC's School Zone.

I turn to the question of short- and long-term harms. While we know that vaping is less harmful than smoking and can be an effective way to quit, we do not know the long-term health harms that may emerge from vaping, and the potential risks to children. To fill that evidence gap, the department is exploring options to commission research on the long-term impact of vaping, so that we can fully understand the harms of vaping and the potential impact on our children. I listened closely to my noble friend Lord Winston's contribution on the need to understand the harms in an evidence sense. Clearly, this is something to which we will need to apply ourselves.

I turn to further specific questions that noble Lords have raised. The noble Lord, Lord Bethell, asked about the proper supervision of vapes and their contents. I can say to him that there will be new powers in the Bill to allow us to be agile, and to respond appropriately and quickly to the latest evidence on vaping and nicotine products. We will have powers to have better oversight and control of the market and respond more quickly to technological developments, ensuring that only safe vaping products are used by smokers.

The noble Lord, Lord Naseby, and the noble Baroness, Lady Walmsley, asked about public health resources. It is absolutely right that we have to provide children and young people with evidence-based information, which is why we will continue to work with the Department for Education to update the curriculum and provide teachers with the latest resources.

My noble friend Lord Winston asked about regulation of the content of vapes. This is indeed an issue; to address it, we will extend non-vaping restrictions to non-nicotine vapes to reduce their appeal, and to align our regulatory approach and ensure that children are unable to access these products.

In conclusion, I hope that the strong measures that I have outlined today will demonstrate that we will bring about definitive change to stop future generations becoming hooked on nicotine. I thank all noble Lords for their thoughtful contributions today. I look forward to discussing this issue further once the Tobacco and Vapes Bill is introduced to this Chamber. I know that today's debate will greatly inform the passage of that Bill and its content.

Oaths and Affirmations

8.21 pm

Baroness Adams of Craigielea took the oath, and signed an undertaking to abide by the Code of Conduct.

House adjourned at 8.22 pm.