

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Fourth Delegated Legislation Committee

DRAFT ELECTRICITY AND GAS (ENERGY  
COMPANY OBLIGATION) (AMENDMENT)  
ORDER 2017

*Wednesday 22 March 2017*

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

**not later than**

**Sunday 26 March 2017**

© Parliamentary Copyright House of Commons 2017

*This publication may be reproduced under the terms of the Open Parliament licence, which is published at [www.parliament.uk/site-information/copyright/](http://www.parliament.uk/site-information/copyright/).*

**The Committee consisted of the following Members:**

*Chair:* MR DAVID HANSON

- |   |  |
|---|--|
| † Barclay, Stephen ( <i>Lord Commissioner of Her Majesty's Treasury</i> ) | † McCaig, Callum ( <i>Aberdeen South</i> ) (SNP)   |
| † Blunt, Crispin ( <i>Reigate</i> ) (Con)                                 | † Mak, Mr Alan ( <i>Havant</i> ) (Con)   |
| † Burns, Sir Simon ( <i>Chelmsford</i> ) (Con)                            | † Morton, Wendy ( <i>Aldridge-Brownhills</i> ) (Con)   |
| † Davies, Chris ( <i>Brecon and Radnorshire</i> ) (Con)                   | † Murray, Ian ( <i>Edinburgh South</i> ) (Lab)   |
| † Debbonaire, Thangam ( <i>Bristol West</i> ) (Lab)                       | † Norman, Jesse ( <i>Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy</i> ) |
| † Fabricant, Michael ( <i>Lichfield</i> ) (Con)                           | Siddiq, Tulip ( <i>Hampstead and Kilburn</i> ) (Lab)   |
| † Flynn, Paul ( <i>Newport West</i> ) (Lab)                               | † Whitehead, Dr Alan ( <i>Southampton, Test</i> ) (Lab)  |
| † Fuller, Richard ( <i>Bedford</i> ) (Con)                                |  |
| Hart, Simon ( <i>Carmarthen West and South Pembrokeshire</i> ) (Con)      | Sean Kinsey, Joe Watt, <i>Committee Clerks</i>   |
| Lewis, Mr Ivan ( <i>Bury South</i> ) (Lab)                                | † <b>attended the Committee</b>  |

## Fourth Delegated Legislation Committee

Wednesday 22 March 2017

[MR DAVID HANSON *in the Chair*]

### Draft Electricity and Gas (Energy Company Obligation) (Amendment) Order 2017

8.55 am

**The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Jesse Norman):** I beg to move,

That the Committee has considered the draft Electricity and Gas (Energy Company Obligation) (Amendment) Order 2017.

It is a pleasure to serve under your chairmanship, Mr Hanson, especially since you are not Geraint Davies, whose name I see on the form. In addition to thanking you, I thank all colleagues who have come at this early hour to assist us with this piece of legislation.

**Michael Fabricant** (Lichfield) (Con): We are keen.

**Jesse Norman:** Especially my hon. Friend, who is—

**Hon. Members:** What about us?

**Jesse Norman:** If other Members wish to proclaim themselves keen as well, I welcome that.

In the Prime Minister's first speech of her term in office, she acknowledged the hardships faced by poorer households in Britain—those hard-working families who, in her words

“can just about manage but worry about the costs of living”.

As part of the response to that dilemma, the Government are committed to helping households in fuel poverty or on lower incomes and those living in homes that are expensive to heat. The order is designed to move us further towards that goal.

**Michael Fabricant:** Regarding the cost of living and the cost of heating people's homes, I have one question, having briefly looked through the explanatory notes. I wonder whether these tighter regulations, while perhaps helping to save the planet, might increase the cost of installation or operation. Has the Department made any analysis of the effect that the order will have on installation?

**Jesse Norman:** I am very grateful to my hon. Friend for that intervention, and I congratulate him on making it when my remarks have barely started, such is his eagerness. The Department of course scrutinises the cost of legislation, and the order is designed to allow a transition period precisely to set the suppliers up for the next supplier obligation, which will be introduced in 2018. That should allow time for any costs associated with the changes to be absorbed within the system.

The order will also make an important contribution to the Government's clean growth plan and to reducing carbon emissions. We are making amendments to the existing Electricity and Gas (Energy Company Obligation) Order 2014, which covers the period from 1 April 2015 to 31 March 2017. The amendments extend the current

scheme from 1 April 2017 to 30 September 2018 to enable reforms to be introduced while also allowing the industry time before further improvements are made through a new longer term scheme that will run from 2018 to 2022. Planning ahead to 2022—beyond the life of this Parliament—reflects announcements on funding made in the 2015 spending review. The longer term confirmation of funding is designed to give greater certainty to energy suppliers, installers, local authorities and other energy stakeholders.

The Government are facing up to the enormous energy challenges our country faces over the coming years. With the overhaul of the electricity market and continued investment in renewable technologies, we are making good progress towards ensuring that the UK's energy is secure, low carbon and affordable. Improving the energy efficiency of the UK's homes is central to that challenge and to reducing fuel poverty. The energy company obligation scheme helps occupants to keep warm, reduce their energy bills and protect their health and wellbeing by requiring energy suppliers to reduce carbon emissions and energy costs through installing energy efficiency measures in households across Great Britain. The supply chains involved in that endeavour also provide economic benefits across the country.

Since the introduction of the ECO in 2013, the scheme has proved to be a remarkably reliable and cost-effective means of upgrading our housing stock. Altogether, more than 2 million energy efficiency measures had been installed in more than 1.6 million homes by the end of December 2016, with around 1.2 million of those measures going to 900,000 low income and vulnerable households and households in deprived areas. That is a significant investment in addressing energy efficiency and fuel poverty. Thanks to the amendment order we are introducing today, we forecast more than half a million more insulation measures and around 45,000 more heating measures will be delivered through the ECO by 2018.

**Ian Murray** (Edinburgh South) (Lab): The Minister has mentioned fuel poverty several times. Will he say what the Government are doing to prevent fuel poverty with regard to energy companies and their double-digit price rises?

**Jesse Norman:** As the hon. Gentleman will know, the Government made clear in a debate last Thursday and in other remarks that they would bring forward a consumer Green Paper and a response to the Competition and Markets Authority. A specific response on the issues he raises will be addressed in those documents.

The order will reduce the overall spend of the scheme from £860 million a year now to £640 million a year. That has been done to constrain the impact of Government policies on all consumer bills. In making the change we have also sought to ensure that the support offered by the ECO is focused more on those in more need.

**Callum McCaig** (Aberdeen South) (SNP): In this and any future scheme, has any consideration been given to putting the burden on to the taxpayer as a whole, as that would be far more progressive and would go some way to reducing fuel poverty? As the Minister will know, those with lower incomes pay more on fuel bills and therefore a bigger share of the contribution to schemes that are meant to reduce fuel poverty.

**Jesse Norman:** The purpose of the proposal is to shift the scheme towards those in fuel poverty. It sits alongside the warm home discount scheme, which was also aimed at those people. The independent Hills review, which looked at supplier obligations a few years ago, concluded that the supplier obligation was the best means and most cost-effective way to reduce fuel poverty.

In introducing the order today, we are forecasting that more than half a million more installation measures and around 45,000 more heating measures will be delivered through the ECO by 2018. The changes implemented by the order were consulted on in summer 2016. The consultation received 236 formal responses that were broadly supportive of the proposals and the Government response was published at the end of January this year.

The order makes clear that we have increased the period of the obligation extension from 12 months in the consultation to 18 months. That is in response to the views of stakeholders and is designed to make the transition as smooth as possible. It will avoid costs associated with industry implementing changes within constrained timelines, and will allow lessons from the operation of the extended period to be fed into the design of the longer term scheme from 2018.

The separate carbon-saving community obligation element of the ECO, part of which currently delivers energy efficiency improvements in rural areas, will be brought to an end for reasons of simplification, but there will still be a safeguard guaranteeing a minimum level of rural delivery under the remaining carbon reduction obligation. The affordable warmth element of the scheme, which places the greatest focus on targeting low-income and fuel-poor households, is increased from 34% to 70% of the overall estimated spend. That means that the carbon emissions reduction obligation element, which allows delivery to any home for carbon-saving purposes, will be decreased to approximately 30% of the overall spend.

Changes are also being introduced to target better the affordable warmth obligation towards low-income and fuel-poor households. First, the use of income thresholds will be deployed to determine eligibility under affordable warmth; the process will be simple but will recognise differences in household size. Secondly, eligibility for the affordable warmth element has also been extended to allow the installation of particular measures to social housing occupants in the least efficient homes, that is those in an energy performance certificate band of E, F or G. Thirdly, a new voluntary provision will allow local authorities to use their local knowledge to determine eligible fuel-poor or vulnerable households for up to 10% of a supplier's affordable warmth obligation. In particular, they will have opportunities to help people with health problems living in cold homes. Fourthly, mains gas boiler replacements delivered under affordable warmth have been limited to the equivalent of approximately 25,000 a year. Our analysis suggests that other measures, such as insulation and first-time central heating, are more beneficial and cost effective. We will also require a minimum level of the more expensive solid wall insulation, equivalent to 21,000 homes a year, to protect the development of that sector and improve some of the least efficient homes. A key focus of the changes made by the order is simplification to reduce administrative burdens and complexities

associated with the scheme, which may allow more measures to be delivered within a given amount of supplier spend.

These are important changes to the existing ECO order. They will continue to drive large-scale investment in energy efficiency across the country. Support will be targeted more at those who need it most, those living in fuel poverty and those on lower incomes who are struggling with bills. The order will promote measures that reduce energy bills, and it will simplify scheme delivery and better target energy efficiency funding to vulnerable and low-income households. I commend the draft order to the Committee.

9.6 am

**Dr Alan Whitehead** (Southampton, Test) (Lab): It is a pleasure to serve under your chairmanship, Mr Hanson. I thank the Minister for his Panglossian commentary on the measure. The Opposition do not want to stand in the way of these detailed regulations. I am sure the hon. Member for Lichfield, having looked in detail at the explanatory memorandum, will note—

**Michael Fabricant:** Was the hon. Gentleman looking, as I was, at the schedules? I think that, like me, he is a chartered engineer. I am slightly disappointed that there was no integration, but merely fractions involved.

**Dr Whitehead:** Regrettably, the hon. Gentleman has not done his homework about my qualifications—I am not a chartered engineer—but he makes a valid and important point about the appendices. I draw his and the Committee's attention to an earlier part of the explanatory memorandum, which enjoins us to pass this measure because:

“The 31st March 2017 is the latest that the instrument can be brought into force, as otherwise the period set for meeting all of the targets under the 2014 Order would come to an end on 31st March 2017 and a failure by any supplier to fully meet their targets by measures installed before that date would be a breach, which could lead to enforcement action by the Administrator.”

We are discussing this order a week before we are in breach of that order. The Government are to some extent trading on Her Majesty's Opposition's generosity of spirit and warm-heartedness. We are sailing very close to the wind in terms of the management of the measure. The Minister might wish to have a word with his business managers to ensure that nothing like this happens again. We really should not be discussing the measure so close to that date, as we would be in breach if there were any hiccups or halts in its progress through the House.

Although I said that we do not want to stand in the way of the regulations, I am not mollified about their overall thrust. We need to be clear that the regulations will represent a reduction on the reduction in the ambition of the ECO as far as energy efficiency measures are concerned, both for those in fuel poverty and for the climate change purposes of increasing energy efficiency in properties. They are an endorsement of the collapse of the energy efficiency measures going into all homes, and even with the change of emphasis toward the fuel-poor and those receiving measures under the carbon emissions reduction obligation, other parts of the ECO have in effect been removed.

[Dr Whitehead]

The draft regulations represent a diminution of measures to assist with fuel poverty to such an extent that, even according to the explanatory memorandum, we will barely meet the Government's own targets, reset from previous fuel poverty targets—people in fuel poverty living in properties not worse than EPC band E by 2020 was a substantial revision of previous targets. The Government are therefore almost failing to reach their own new target in the regulations, and they are certainly endorsing a substantial reduction in measures overall.

The reduction in measures is to such an extent that, were we to look over the past five years on a graph, we would see that the measures peaked in 2012, largely as a washover of the previous Labour Government's obligations—the carbon emissions reduction target and the community energy saving programme—to be followed by a precipitous and cliff-like fall of 80% in energy efficiency and home improvement measures up to 2015. Today's measures, as outlined by the Minister, represent a further reduction in the ECO from £860 million per annum under the previous obligation, which was itself a reduction in ambition from the original £1.2 billion, to £640 million a year. That is for the interim scheme, and I understand that is also to be the limit for the longer term scheme, if we ever get to consultations on that in the not-too-distant future.

Under the new regime, that will be the limit of ambition for all energy efficiency measures in homes. That was not quite as the Minister set out today in terms of the progress of the obligation. As hon. Members will recall, the cut in green obligations was imposed in response to the infamous “get rid of all the green \*\*\*\*” period that the previous Prime Minister oversaw. As it happens, ECO measures bore the brunt of those cuts, which is why we have less money available for the ECO now, not only for today's interim scheme, but for the scheme after 2018, assuming it happens—I will make some comments on that in due course.

We are barely reaching fuel poverty targets. I welcome the important emphasis on fuel poverty in the measures—a substantial and welcome shift of fuel poverty-focused measures up from 30% to 70% of measures within the ECO as a whole—but I emphasise that that is within an overall reduction of the pot. The consequence of that is that the measures under the CERO part of the ECO scheme reduce substantially and carbon saving community obligation measures disappear entirely. The measures under CERO represent a reduction, in that smaller pot, from 34% to 30% of the total. That is very important in terms of the treatments of properties that might be available under ECO, in terms of the energy efficiency climate change targets.

Those targets are fairly stark. In the fourth carbon budget, which was adopted and accepted by the Government, the Committee on Climate Change considered that 2.2 million solid wall treatments by the early 2020s should be included in that, to make the contribution to energy efficiency climate change targets. Hon. Members may want to reflect on the targets that are in this measure today: 32,000 treatments envisaged in the 18 months up to 2018. If extrapolated, and even if that amount is maintained over the full period of the next ECO, when it succeeds the interim measure we are discussing this morning, that would mean we would fall

short of the target, which was agreed by Government, by 1.8 million treatments. That is an astonishing shortfall. That is not a question of falling slightly short—it is effectively extinguishing any serious consideration of those targets over the period, which is potentially catastrophic for our ability to meet our obligations under the carbon budgets.

The Minister will be aware that there is feverish work going on at the moment in the basement of his Department looking at how a low carbon plan can be drawn up. It has repeatedly been put off and delayed. There are assurances that it will come out later this year. I understand that there are people in the Department at the moment with towels around their heads working out how on earth a low carbon plan can possibly meet the terms of the fourth carbon budget, in terms of what the Government are presently undertaking. The complete failure in this measure to get to grips with solid wall insulations is one area where those towels will have to be tied much more tightly around heads.

Does the Minister intend to review the figure and the mechanisms behind it when looking at the longer term ECO? As set out in the 2015 autumn statement, that is scheduled to take us on from 2018 to 2022. If he is not looking at reviewing those measures, what explanation might he offer for this abject failure to get to grips with solid wall insulation? Are there any other measures that he might be thinking about that could get us back on track as far as those treatments are concerned?

I would also like to ask the Minister about the very wise consultation response that came forward to him. I am sure the hon. Member for Lichfield will also be aware that there is a passage on the consultation at the back of the explanatory memorandum. It indicates that those people who were consulted thought that local authorities should be involved in identifying 20% or more placements for treatments, particularly as far as the fuel poverty element of ECO is concerned. That was an overwhelming endorsement in the consultation of the role of local authorities in identifying and assisting those treatments at local level. There was also an overwhelming endorsement by those obliged suppliers themselves, who have for a long time said how difficult it was to find people in those fuel poverty categories, in order to apply treatments, and the substantial additional burden of finance that often placed on them.

**Michael Fabricant:** Would it not be fair to add that this is just during the testing period, as it says in the explanatory notes? The Government can then come back with the alternative percentage.

**Dr Whitehead:** The hon. Gentleman anticipates my next paragraph. The explanatory statement mentions that this is a testing period. The whole of the obligation we are discussing is essentially a transitional testing period from the old ECO to the new ECO.

Bearing in mind that both those responding to the consultation and those obliged suppliers all thought that local authorities should have a much more substantial, economical and effective role in bringing forward people in fuel poverty who require treatments, why have the Government, even in this transitional period, limited that role to 10%? Is there a reason that the Government have decided it should be 10% for local authorities,

when the evidence overwhelmingly points in the opposite direction? Do the Government not trust local authorities to identify those people, or do they believe that what the obliged companies are saying is not so, and that it is a walk in the park to find people in fuel poverty, so that the arrangements can proceed as before? If the Minister is not able to say anything today about that 10% figure, what is he going to do during the period of transition, pointed out by the hon. Member for Lichfield, to appraise whether local authorities can have a greater role? Can he assure me that when we are able to look at the detail of the later ECO, that will be reviewed and that the position of local authorities in deciding who gets treatment and how it can best be related to obliged suppliers can be established on a coherent basis?

I do not wish to detain the Committee further, but I do emphasise that the Opposition consider the measures to be woefully inadequate for those in fuel poverty and to address wider concerns about climate change. If we had the opportunity, we would fundamentally revise their scope and extent in order to make a proper impact on fuel poverty and the overwhelming imperative of getting energy efficiency under control in the context of concerns on climate change.

9.24 am

**Crispin Blunt (Reigate) (Con):** My apologies to colleagues for imposing on their time in wanting to make a contribution. I am deeply grateful for the opportunity to be invited to serve on the statutory instrument Committee, diverting me from my normal duties as Chair of the Foreign Affairs Committee.

This takes me back to the responsibilities I had 15 years ago when I was the shadow Minister for Energy. I am sad to say that the order we are considering this morning is exactly the consequence of failing to win the 2005 general election, as we would have had the opportunity to put in place the policy I had written when I was shadow Energy Minister. The order is exactly the consequence of the kind of micro-managing detail one gets into if there is no overarching energy policy designed to deliver environmental obligations.

I looked very closely at the whole issue of issuing trading certificates around the creation of carbon dioxide in the atmosphere and how that might work with the European Union scheme. That was the area of greatest difficulty, so I take this opportunity to say to the Minister that I very much hope he will examine the implications of Brexit for our returning to a proper trading certificates scheme around carbon dioxide and the other greenhouse gases being put into our atmosphere and around the wholesalers of all fuel, whether that is the transport sector, the domestic sector or the electricity generation sector. That could be a far more effective and economically efficient way of delivering the environmental obligations we have entered into by international agreement.

Until I listened to the speech of the hon. Member for Southampton, Test, I was minded to oppose the measure, but he has given me some encouragement that within the order is some reduction in the overall burden of detail that he criticised. However, from his work on micro-generation I know that we share views on how the provision of energy in our society can be considerably improved by such things as micro-generation. This order

is not the place to put obligations on the energy companies to achieve certain social targets within a framework that means the overall delivery of our energy targets and environmental targets becomes economically inefficient. It points to the kind of policy failures outlined by the hon. Gentleman.

If we had an overall strategy that set the framework for the market in which we are going to operate for greenhouse gases we are going to put into the atmosphere, that framework should constrain the market, allowing the generation of electricity, heat and power in our homes and the consumption of fuel in our cars and the transport sector, but making everything subject to an overall environmental policy envelope. Measures such as this, which have an extraordinary level of detail and requirements on the energy companies and others to deliver the Government's policy, are going to run into the kind of trouble that the order is trying to ameliorate in some cases, but will probably make worse in others with all the details, given the law of unintended consequences.

If one looks into the detail, the explanatory notes state, as the Minister said in his remarks:

“Additionally, the Carbon Saving Community Obligation (CSCO) and its rural sub-obligation are brought to an end, as the other two obligations, CERO and Affordable Warmth, are more cost effective at achieving carbon reductions and tackling fuel poverty respectively.”

The notes say that the measures are being delivered for reasons of simplification. When we have got to a place with energy policy where Ministers tend to know best, one begins to understand the difficulty that officials find in creating, implementing and overseeing schemes. Ministers want to make choices about how they are going to deliver the overall target.

When we get to that place, we get the kind of disaster we have seen with the scheme that has got the First Minister of Northern Ireland into so much trouble. We get into that mess where everyone was encouraged to get into the market of building solar panels, and then the subsidy was cut halfway through. People had built a business to take advantage of a Government subsidy. There is no relationship between the Government subsidy and the overall policy effort and objective—to cut carbon emissions—so we have found an extremely expensive way of delivering reductions in carbon emissions. It would be much more effective to have overall emissions trading certificates for the generation of carbon dioxide and other greenhouse gases, which would drive coal-fired power stations out of business and create a proper relationship between the consumption of electricity by, say, electric cars and their overall impact on the generation of carbon emissions and global warming.

I hope that the Minister is looking fundamentally at the construction of our whole energy policy and whether it will achieve our policy objectives. There are some perfectly sound measures in the draft order on those objectives—relieving fuel poverty, getting better insulated homes and the rest—but is placing obligations on fuel suppliers and saying, “You’ve got to do this” really the right way to do things? If that is our policy objective, should we not, as the hon. Member for Southampton, Test said, put the responsibility on local authorities and be overt about what we are trying to do to take people out of fuel poverty directly as part of our social policy and benefits system? If we want to improve the quality

[Crispin Blunt]

of our housing stock, we should make that part of building regulations and give local authorities responsibility for addressing the housing stock in their areas.

We should not hide away our policy objective and its cost in an obligation on energy supply companies and try to do things at one remove, which would mean that we could not necessarily deliver that objective. If we hide away its cost and try to hide what is, in effect, taxation and benefit expenditure, we will find that an economically inefficient burden falls on the country, and I do not think that that would deliver the policy objective. Overall, that would mean that we could not really measure whether we were going to deliver the objectives we have signed up to or our global obligations to reduce carbon emissions and make a fair contribution to reducing the danger to our planet from global climate change.

I hope that those thoughts are of use to the Minister, who of course deserted the gang of Select Committee Chairs for the responsibility of ministerial office. He has an opportunity to make these decisions. I hope that he considers where our energy policy is and, given the years of micromanagement of our energy system and environmental objectives that he inherited, whether there is a better way of doing this than through these kinds of measures. One of the benefits of Brexit might just be that we are able to achieve our own carbon trading certificate scheme, which would mean that we could deliver our international obligations in an economically efficient way.

9.33 am

**Jesse Norman:** I thank both the hon. Member for Southampton, Test and my hon. Friend the Member for Reigate for their useful and interesting speeches. First, I shall pick up my hon. Friend's comments about the general picture, then return to the shadow Minister's specific comments about the draft order.

There are many reasons to bemoan the Conservatives' failure to win the 2005 general election, but my hon. Friend gives a cogent personal reason—our energy policy might well have been very different and, in some respects, improved. Nevertheless, I take issue with a couple of things that he said. I do not think there has been any hiding away of costs. Whatever we think of the policy design, the costs are pretty explicit and public, and have been extensively debated and consulted on, so I do not think they are hidden.

**Crispin Blunt:** On that narrow point, are the subsidies provided by the Government to encourage the creation of wind farms all over the place an intelligent or economically efficient way of contributing to our climate reduction goals?

**Jesse Norman:** There are two points to make on that. First, the way to think about all these things is as part of a wider energy mix that is designed to solve the trilemma of security, affordability and decarbonisation. On the contribution of offshore wind, for example, it is true that there is some question as to its total cost when including intermittency. It is also true that, had it not been for the substantial Government investment in this

area, we would not have the situation in which costs for this technology are falling faster and further than anyone would have anticipated.

**Callum McCaig:** On intermittency, I understand—and I put a question to the Minister's colleague at Energy questions last week—that the Government are refusing to publish a report that they commissioned to look at that very thing. If there are questions on the cost of intermittency, publishing that report would greatly help us to have that debate in an informed manner. Will the Minister look at publishing the report by Frontier Economics on the full cost of electricity generation?

**Jesse Norman:** I am happy to look at the hon. Gentleman's suggestion. On the point I was making to my hon. Friend the Member for Reigate, we are not starting from the position he described. That position has the effect of disguising costs. The reason why we have carbon emissions issues is precisely because of the externalities built into previous models of industrial development. Those substantial costs were not included in the true cost of production of the goods and services concerned. It is simply untrue to suggest, even by implication—I am not suggesting my hon. Friend was suggesting this—that there had been some Elysium or status beforehand in which costs were explicit and are now not; there were costs before that were not explicit and there may be costs now that are not. From a Government standpoint, there is no hiding of costs as regards expenditure by either consumers or the Government.

Let me say a couple of other things. The overall energy market approach my hon. Friend describes was well outlined recently in a report by the House of Lords Economic Affairs Committee, as he may know. It remains an important part of the accountability of Government that we respond to it and are aware of it as an alternative. However, it is worth saying that it would do nothing as such to alleviate the issues of fuel poverty that concern us today. In my judgment, it is not an answer to say that local authorities are somehow a go-to alternative. The truth is that the delivery of those and related measures by local authorities has historically been quite mixed.

On the setting the 10% figure, that was designed, based on the consultation, to allow for a period of experimentation during the transition period, precisely to assess whether that number could be raised in line with the suggestions that have been made. The number involved—even at 10% of £45 million—is not a trivial amount of supplier obligation. I think that is a reasonable and proper justification.

I will say a couple of things about the matters raised by the hon. Member for Southampton, Test. He asked why we were presenting the order so late. I share his concern about that. My preference would be for measures to be presented to Parliament as early as possible. The difficulty has been—in part, this refers to a couple of earlier points—last year's changes in Government and knock-on effects, which have delayed the process. It is certainly not something that any Government would want to make a habit of, so I take the point.

I have a couple of comments to make in response to what the hon. Gentleman said about a reduction on a reduction: first, the number of homes in fuel poverty

has continued to fall since 2010, and it is clear that the measures continue to have a powerful effect. It is also important to bear down on consumers' bills. If the hon. Gentleman wants to introduce specific costed proposals for restoring the funding that he criticises the Government for reducing, it is incumbent on him to state by how much he would be prepared to put it up, and how much he would be prepared to burden taxpayers or consumers. In addition, we expect, by September 2018, to have met a target of 850,000 homes insulated. That leaves 150,000 by 2020, which is in line with the manifesto commitment made in 2015. The Government believe that they are on track.

As for the fourth carbon budget, the hon. Gentleman was talking about totals—and the challenge for the Government is to meet the fourth carbon budget in total. The support and advice that the Committee on Climate Change offers is always welcome and of interest to us, but the focus is on the total. The hon. Gentleman painted a beguiling picture of towels being tightened and retightened in the bowels of the Department; but I think it is fair to describe the process of aligning all the different carbon saving measures required to meet the budgets as complex and difficult. That is what the clean growth plan, which will be published in due course, will do.

**Dr Whitehead:** Does the Minister want to add anything to the phrase “in due course” with reference to the clean growth plan?

**Jesse Norman:** I thank the hon. Gentleman for that tempting invitation, but I can say that “due course” will be due, and a matter of course; so the answer to his question is no.

As to whether there will be a review of the long-term effects of the ECO, we anticipate that there will be a consultation later this year—I can give the Committee

some clarity on that—in line with thinking about what the further process will be after 2018-22. I have addressed the issue of the figure of 10% in relation to affordable warmth, which we have discussed.

Among other key elements worth picking out is the question of the proportion of fuel-poor homes in band E, or above, in England, which is expected to be about 92% by the end of the extension. That will be up from 88% three years ago. Again, that underlines the progress that has been made.

This has been an interesting and useful debate and I thank hon. Members for their speeches. As I said, the scheme has helped to deliver more than 2 million energy saving measures to more than 1.6 million households, including 1.2 million measures to 900,000 low-income and vulnerable consumers. At a time of rising energy bills, the Government think that it is right for support to be targeted to those most in need. At the same time, the amendments being made to the existing order should reduce the cost of the scheme to bill payers to about £25 a year from the current level of £34 to £35—and nearly £60 at the time of its launch in 2013.

With the amendment order the ECO is expected to provide 545,000 households with more energy saving measures. We will thereby give a balance of improvements and continuity to consumers and the energy efficiency industry for 18 months, before further change is made through a longer-term scheme, from 2018 to 2022.

*Question put and agreed to.*

*Resolved,*

That the Committee has considered the draft Electricity and Gas (Energy Company Obligation) (Amendment) Order 2017.

9.44 am

*Committee rose.*





