

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT ELECTRICITY AND GAS (ENERGY  
COMPANY OBLIGATION) ORDER 2018

*Monday 22 October 2018*

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**Friday 26 October 2018**

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

*Chair:* MR CHARLES WALKER

- |  |   |
|--|---|
| † Charalambous, Bambos ( <i>Enfield, Southgate</i> ) (Lab)               | † O'Brien, Neil ( <i>Harborough</i> ) (Con)                     |
| † Daby, Janet ( <i>Lewisham East</i> ) (Lab)                             | † Perkins, Toby ( <i>Chesterfield</i> ) (Lab)                   |
| † Davies, Chris ( <i>Brecon and Radnorshire</i> ) (Con)                  | † Perry, Claire ( <i>Minister for Energy and Clean Growth</i> ) |
| † Gibson, Patricia ( <i>North Ayrshire and Arran</i> ) (SNP)             | † Prisk, Mr Mark ( <i>Hertford and Stortford</i> ) (Con)        |
| † Goldsmith, Zac ( <i>Richmond Park</i> ) (Con)                          | † Rashid, Faisal ( <i>Warrington South</i> ) (Lab)              |
| † Harris, Rebecca ( <i>Lord Commissioner of Her Majesty's Treasury</i> ) | † Smith, Nick ( <i>Blaenau Gwent</i> ) (Lab)                    |
| † Latham, Mrs Pauline ( <i>Mid Derbyshire</i> ) (Con)                    | † Whitehead, Dr Alan ( <i>Southampton, Test</i> ) (Lab)         |
| † Lord, Mr Jonathan ( <i>Woking</i> ) (Con)                              | Yohanna Sallberg, Mike Winter, <i>Committee Clerks</i>          |
| † Lucas, Ian C. ( <i>Wrexham</i> ) (Lab)                                 |   |
| † Mann, Scott ( <i>North Cornwall</i> ) (Con)                            | † <b>attended the Committee</b>                                 |

## Second Delegated Legislation Committee

Monday 22 October 2018

[MR CHARLES WALKER *in the Chair*]

### Draft Electricity and Gas (Energy Company Obligation) Order 2018

4.30 pm

**The Minister for Energy and Clean Growth (Claire Perry):** I beg to move,

That the Committee has considered the draft Electricity and Gas (Energy Company Obligation) Order 2018.

It is a genuine pleasure to serve under your chairmanship, Mr Walker, and I am pleased to open this important debate. The energy company obligation requires energy suppliers in Great Britain to reduce domestic energy bills by installing energy efficiency measures. As Committee members know, partly because many of us have debated this issue, the Government place great importance on supporting low-income families, ensuring that their energy bills are as low as possible. To that end, we continue to provide direct financial support to vulnerable households through the warm home discount and the energy price cap, which has cross-party support and will protect some 11 million energy customers who have been stuck on poor value deals.

Our election manifesto restated our commitment to tackling fuel poverty by increasing the energy efficiency of our homes. In 2015, we also said that we wanted to reform the energy company obligation to provide more help to those who need it most. The order completes that reform and will result in the scheme focusing on low-income, vulnerable and fuel-poor households—rather than on a mixture of poverty alleviation and carbon reduction measures—until March 2022. It also supports the Government's industrial and clean growth strategies by encouraging energy companies to deliver more innovative measures, supporting manufacturers and installers to develop more cost-effective, consumer-friendly products by providing a better route to market.

ECO has operated since 2013 and has currently installed more than 2.4 million measures in about 1.9 million homes. The scheme is funded through energy bills and we will continue the mandated level of £640 million per annum until 2022, but of course the negotiations could deliver a funding commitment beyond that date. Indeed, the clean growth strategy sets out our commitment to keep that level of funding for domestic energy efficiency until 2028.

The Government consulted broadly on the new scheme's proposals. We received 239 responses, the majority of which were broadly supportive. We published the response to the consultation and laid the order in July. Should the Committee approve the order, the scheme will begin in November. We are aware of the need to maintain continuity of delivery, so the scheme design includes a number of aspects to enable as smooth a transition as possible.

Changes to the scheme reflect various measures: first, our strategic energy objective; secondly, responses to the consultation; and thirdly, the latest market position. As I have said, the measure attempts to focus the scheme as closely as possible on the alleviation of fuel poverty. It is designed to increase the innovation and flexibility that can be delivered by working with local authority partners, because a reasonable criticism of the scheme is that it has not been sufficiently targeted on those homes that need it.

The other important change is my decision to drop the thresholds at which energy suppliers must have an ECO. The current threshold is 250,000 suppliers. We are keen to have a level playing field in this market, and it is not fair that many suppliers do not have to pick up an ECO. There is evidence that suppliers who otherwise claim to be paragons of virtue are deliberately not growing their customer base because it will take them over the 250,000 threshold, which is completely wrong. It is also important that customers do not suffer a detriment if they switch from an energy supplier that offers an ECO to one that does not. We are therefore dropping the threshold, which was last set in 2013. If the order is passed, from April next year suppliers with 200,000 customer accounts will be obligated to offer the scheme. The threshold will fall to 150,000 from April 2020 and could continue to fall thereafter, reflecting a direction of travel in the retail market that we absolutely want to continue.

We have also expanded the eligibility criteria of the scheme so that households on certain disability benefits, their Ministry of Defence equivalents, and low-income working households in receipt of child benefit are newly eligible for support. That reflects my desire for the scheme to be targeted as much as possible at those who are struggling with low income and fuel poverty, and it increases the number of households eligible for support—from 4.5 million under the affordable warmth part of the previous scheme, to 6.7 million under the new scheme—which strikes the right balance between supporting those households most in need and keeping delivery costs low, thereby protecting bill payers.

As I have said, we have increased the proportion of the scheme that can be delivered under the local authority—the so-called flexible eligibility. I have taken that from 10% to 25% because we believe that local authorities are often well placed to identify those households who need help, including people with health conditions that are exacerbated by cold homes. We estimate that a further 300,000 households will be eligible for well-targeted support through that route.

It is important that we develop new products and provide a route to market as part of the investment we are all making, and suppliers will now be able to deliver up to 10% of their obligation using innovative measures not previously supported under ECO: first, by a demonstration action route, which allows suppliers to provide financial support to new products that have been tested in the lab and may have had limited testing in a live environment but now require wider testing; and, secondly, through innovation score uplifts, which are designed to encourage new products that are at a later stage of development but which have not been delivered under the scheme. Of course, while delivering a broader mix of measures we will continue to maintain safety and installation standards.

On heating equipment, the scheme allows the equivalent of 35,000 broken heating systems to be replaced each year so that low-income households can receive support should their heating system be beyond repair. Although other forms of energy efficiency may have greater long-term benefits, a broken boiler, particularly in cold weather, can be the immediate crisis point for a struggling family. Coal-fuelled heating systems cannot be replaced or repaired under the scheme, but we have listened hard to the sector and are allowing oil systems to be replaced so that poor rural households without a current viable alternative can receive support to heat their homes. In my constituency, where more than 40,000 households are off the gas grid, that measure could be very welcome.

**Scott Mann** (North Cornwall) (Con): The Minister knows that I have some rural poverty, particularly fuel poverty, in my constituency and a lot of people who are off grid. I notice that there is a 15% rural sub-obligation in the order. Could the Minister expand a little on how that might help communities such as mine?

**Claire Perry:** That is an important point. We are keen to maintain at least 15% of that obligation to rural householders. My hon. Friend knows very well that although he represents one of the most beautiful parts of the United Kingdom, incomes there are lower than average and there is a huge amount of fuel poverty—and, indeed, other forms of poverty—in what would otherwise be picture-perfect rural villages. In fact, evidence from the Committee on Fuel Poverty, with which we have worked closely, suggests that fuel poverty is more prevalent in rural areas than in urban ones, and that is why we were keen to maintain the 15% element of the scheme.

My hon. Friend also knows from his wonderful county that we have fantastic heat pump manufacturers working not too far away from him, and we have continued to allow ground source heat pumps to qualify for support under both ECO and the renewable heat incentive. We understand the potential for double dipping. We have limited that for other forms of technology but have made an exception for ground source heat pumps due to their high upfront costs and because they are putting in, through the cost of each individual scheme, long-term and potentially valuable infrastructure, which other forms of technology are not required to do.

To encourage installers to take a broader approach to improving the energy efficiency of homes, inefficient heating systems can be replaced if they are delivered alongside insulation measures. We have retained the solid wall minimum requirement, which is now set at the equivalent of 17,000 solid wall homes per year but, as many of us know from our constituencies, that is not always the appropriate technology. Therefore, we have introduced flexibility, by allowing suppliers to meet the minimum through a combination of other measures, as long as they deliver the same bill savings as solid wall insulation.

The changes we have made to the scheme are really important. They will help to upgrade the homes and reduce the energy bills of more than 1 million households living with low incomes or dealing with vulnerability. They will also pave the way for new measures. They will add further impetus to help to meet our fuel poverty and carbon reduction goals by encouraging more cost-effective and customer-friendly solutions.

If the energy companies are listening, I urge them to take these targeting measures seriously. I am fed up of going home to my constituency every Thursday and finding a card through my door offering me a new oil boiler. I am not living in fuel poverty. There are plenty of measures and plenty of information available to allow those companies to do the job properly and to target those households most in need. With the reforms in the scheme, we should work together to deliver that goal. I commend the order to the Committee.

4.40 pm

**Dr Alan Whitehead** (Southampton, Test) (Lab): It is a pleasure to serve under your chairmanship, Mr Walker. This is not any ordinary order; it is a complete ECO scheme in a box. The entire ECO3 scheme is there—all in one statutory instrument. As far as I understand, when and if the order is passed, the work of implementing ECO3 will be done and it will go ahead.

It is important, therefore, to talk about the entirety of the ECO scheme in the order and to compare it with the ECO schemes that went before it and with the programmes that went before them. We should consider what is at the heart of the order and ask: what are we in the UK doing about the appalling state of our homes and their energy efficiency, and what measures are we taking to bring the energy efficiency of those properties up to a decent standard?

**Mr Mark Prisk** (Hertford and Stortford) (Con): I am unclear as to whether the hon. Gentleman thinks that the measure is sharply distinguished from the original scheme that he mentioned. I am concerned about the impact on fuel poverty not only in important areas such as Cornwall, but in areas that are often not defined as being in fuel poverty, such as Hertfordshire. What is his view of the comparative benefits of the two?

**Dr Whitehead:** The essential point about the overall aim of ECO is that it should be concerned with all those issues—with urban and rural fuel poverty and with bringing properties up to a decent level of energy efficiency to ensure that our properties are in a fit and good state with regard to climate change and energy use changes.

The concentration on fuel poverty could solve those wider issues to some extent, providing that the scheme is large enough to enable that to happen. We know that people living in fuel poverty are disproportionately concentrated in properties that have low energy efficiency. In the private rented sector in particular, a large proportion of properties are in bands E, F and G. A large proportion of people living in fuel poverty are in that tenure and in those property efficiency bands. In principle, concentrating on fuel poverty is a good way of targeting the wider issues, as long as enough other things are happening within the scheme. It all depends on the overall status of the scheme.

Several good things have happened between ECO2 and ECO3. I commend the Government's decision to reduce the obligation threshold for suppliers. A large number of energy supply companies fall just below the current level of 250,000 accounts and are therefore not obliged to undertake any ECO measures. Problems also arise in respect of whether people who switch are eligible for certain schemes. Within a short period, the obligation

[Dr Whitehead]

threshold will be reduced from 250,000 accounts to 150,000, which is a Good Thing, with a capital G and a capital T. I thoroughly support it.

**Claire Perry:** I am craving support today. Does the hon. Gentleman support another measure, namely that which ensures that switching websites make it clear to people in receipt of discounts, such as the warm home discount, that they might lose them if they switch? We want to provide as much transparency in the system as possible, as well as to tackle supplier inflation. I hope that that is also a Good Thing.

**Dr Whitehead:** Indeed it is. As the Minister knows, I have been banging on about that problem for quite a while.

**Claire Perry:** And I have been listening.

**Dr Whitehead:** I also agree with increasing to 25% the proportion of the obligation that can be met through flexible eligibility. As the Minister mentioned, local authorities often know more than most about the whereabouts and construction of the property stock in their area, so involving them in that way is a very positive move. Does she think that such an arrangement could lead to area-based schemes being headed up by local authorities as part of the obligation? She will be aware that ECO has been criticised because its set-up means that energy companies go out to find individuals and treat their homes but do not capture those next door or down the road who are in the same position. Does she think that flexible eligibility arrangements could lead to a better system of area-based activity?

I am not too impressed with the reduction in solid wall treatments in the ECO scheme; that is not a progressive arrangement as far as ECO3 is concerned. We really have to get stuck in to solid wall insulation across the country. There are 8 million solid wall properties in the UK, and solid walls are one of the property elements least treated for energy efficiency, so reducing the target from 24,000 to 17,000 is a retrograde step.

As I mentioned, I support in principle the idea of increasing the concentration on fuel poverty. However, we have to note, at least in passing, that it is one thing to concentrate a scheme on fuel poverty, but if that happens at the expense of all other aspects of the scheme, which is what has happened on this occasion, I am not sure that we will get the whole picture as far as energy efficiency is concerned.

I give two cheers for placing greater emphasis on fuel poverty, but I am concerned about the overall aspects of ECO, which is where that concentrated effort on fuel poverty sits. The Committee on Fuel Poverty has indicated that even that concentration on fuel poverty will not be sufficient to reach current statutory fuel poverty targets. That is a reflection of the overall size of the scheme and its ambitions within its overall setting.

On that overall setting, we need to be clear on two things. First, as the Minister has said, this measure should be placed in the context of the clean growth strategy's current ambition in respect of the energy efficiency of existing buildings. It is extremely important to note that some 80% of existing buildings will still be

here in 2050, and their energy efficiency may need to be uprated so that they do not need to be treated again before then. We cannot get going with energy efficiency in properties simply by building more energy efficient homes; we need to deal with existing homes.

Indeed, the Government's clean growth strategy document makes clear their ambitions in that respect, stating:

"To achieve this 2032 pathway, we will need to ensure existing buildings waste even less energy. This pathway could see a further six to nine million properties insulated, especially focusing on those in fuel poverty where we are aiming to have the 2.5 million fuel poor homes in England improved to energy efficiency rating C or better by 2030. More broadly, our aspiration is that as many homes as possible are improved to EPC Band C by 2035, where practical, cost-effective and affordable."

It is salutary to consider that ambition in the context of what ECO was and what it has become. When it was first introduced in 2013, ECO represented a change from the previous Government's programmes—namely the carbon emissions reduction target, the community energy saving programme and the Warm Front scheme—which had made a demonstrable difference to the standard assessment procedure ratings of properties. If we look at the SAP ratings in household condition surveys carried out on properties when those schemes were in place, we will see that they improved substantially.

By the time they came to an end, CERT, CESP and Warm Front came to a combined Government, taxpayers' spend of about £1.6 billion a year. ECO is essentially a market-based scheme and is set against customer bills; it was not described as such, but energy companies basically recovered their obligation through customer bills.

The first ECO that came in reduced that overall ambition to £1.12 billion per annum. That was the only spending on energy efficiency in homes at that particular point in 2013, and that was reduced further when ECO 2 came in, to £0.87 billion per annum. Not surprisingly, that meant that over the period there has been something like a 50% to 60% reduction in overall spend on energy efficiency measures and, as the Association for the Conservation of Energy has pointed out, in the period from the early 2010s up to the present, there has been something like an 80% reduction in energy efficiency measures in homes. ECO has presided over not just a substantial reduction but a crash in energy efficiency measures over that period. ECO3 is coming forward, and the obligation figure—which is in the SI, so it is not an imagined figure—is £0.64 billion. That is a halving of overall energy efficiency measures since ECO was first introduced, and since the further reduction that took place when the schemes put in place by the previous Labour Government came to an end.

If we set that ambition—or, should I say, lack of ambition—against the aspirations in the clean growth plan, we can clearly see that even if ECO3 is extended to 2028, as the Government has said and the Minister mentioned, at the present level, it will fail miserably to get anywhere near those aspirations. Will the Minister explain why she is advocating an ECO programme that will signally fail to get anywhere near those ambitions, and whether she has a host of new schemes in her pocket that could help to meet them. If we go to 2022 with ECO at its present level, even with the changes that have been made, and then agree that ECO will continue at that level to 2028, we will get nowhere near those

targets. Not only that, but we will miss our one chance to get properties uprated over the next period in line with what the fourth and fifth carbon budgets tell us about the number of properties that need to be uprated. We will fail to make the contribution to energy efficiency, decreasing fuel use and reducing fuel poverty that will help develop an economy in which energy production is both energy efficient and low in carbon.

I am afraid that the Opposition cannot support the scheme in its present form. We have been developing policies that seek to insulate and uprate the energy efficiency of approximately 4 million homes per Government term, for at least two terms over the next 10 to 12 years. That sort of level is necessary to get anywhere near our carbon budgets—and, by the way, our scheme will not be done on the basis of an obligation. As with previous CERT schemes, it has to be done on the basis of all of us putting money into those schemes, to achieve the public good of energy improvement in properties. I am afraid that the market-based arrangements in the instrument will not get us anywhere near our goal. As I say, it would be good if the Minister were able to comfort me somewhat by saying, “We have a load of stuff that we have not told you about yet, which is going to meet the aspirations we set out so eloquently in the clean growth strategy. ECO3 is going to be part of that.” If that were the case, I might be willing to take a slightly different view of the instrument, but my understanding is that as far as energy efficiency in homes is concerned, this is the only show in town. If that show were a theatre production, it would close after three performances.

I am afraid that the Minister will not have the support of the Opposition this afternoon, although she has my personal support on a number of the changes she has sought to make within the existing ECO envelope on how ECO works. Overall, the scheme is not good enough; it is not good enough now, and it certainly will not be good enough by 2028, which is only four years away from the 2032 target. Really, the Minister has to go away and think through a number of measures that can get us there and come back and tell us what they are, so that we can all sit down together and sort out how we are going to get to the goal we all want to reach on energy efficiency in buildings.

5 pm

**Patricia Gibson** (North Ayrshire and Arran) (SNP): I welcome the proposals outlined by the Minister so far as they go. They are moves in the right direction, but I agree that they do not go far enough. If I may crave your indulgence for a few moments, Mr Walker, the problem with the measures is that they do not compensate for the very high electricity bills that consumers will pay as a result of the favouring of very costly nuclear options, as opposed to much cheaper renewable options. That is not just my view; it is the view of the National Infrastructure Commission, which said that the brakes should be put on nuclear power, particularly since the prices of solar and wind technologies are likely to continue falling and at a much faster rate. Lord Adonis has added his voice to those calls. He called nuclear power stations very expensive and problematic, and said:

“Like Sir John Armit, my successor as chair, I’ve changed my view in face of the evidence”.

I wish that the Government would change their view on nuclear in the face of the evidence.

We know that advances in grid technology have opened up the prospect of drawing power from multiple sources. Strike prices for nuclear are still significantly more than those for offshore wind. It is important that the Minister considers how the UK Government will fulfil the Public Accounts Committee’s recommendation for a full value for money assessment before signing any new nuclear deals, given the report on Hinkley C.

The Government are proposing to close the export tariff for rooftop solar from March 2019, despite solar being one of the cheapest forms of new power generation. I welcome any measures to try to mitigate fuel poverty, but, fundamentally, to do that in any meaningful way we have to look at the whole nuclear issue, as well as the solar and wind issue and the new technologies coming on stream.

Some 26.5% of Scottish households are in fuel poverty, which is simply unacceptable. That is the kind of thing I wish the Government would think about when they try to make inroads into fuel poverty with the measures we are discussing today, which are welcome, but simply do not go far enough. What does the Minister think of the Scottish Government’s plans to establish a not-for-profit public energy company to tackle fuel poverty while supporting economic development and climate change targets? Would her Government ever countenance considering such a measure and perhaps following suit?

5.3 pm

**Claire Perry:** I thank Members for their interesting set of points. I welcome the support of the hon. Member for Southampton, Test for some of the measures in the scheme. To answer his question about whether the area-based approach allows us to deal with more than one household at a time, the answer is yes, we are encouraging infill measures for certain installations.

The hon. Gentleman asked about solid walls, which links to some of the other points. As he will know, solid wall insulation is one of the most expensive measures, costing an average of £8,000 a household. Historically, ECO has not been as focused on fuel poverty. Indeed, I have been told that one of the criticisms of ECO was that it was buying LED lightbulbs for rich people, which is not something that Government or bill payers’ money should be in the business of doing. With solid wall insulation, many of the contributions have been topped up with householder contributions. Clearly the households we want to be helping with this scheme will not be able to do that.

That is why the number has been cut, but it is also why we have encouraged installers to think more creatively. Often the benefits from solid wall insulation can be achieved by under-floor insulation, using the amazing Q-Bot robot that the BEIS innovation money has funded, or by better loft insulation or improvements in windows. Rather than just having a one-size-fits-all proposal, the idea is that many other measures can be delivered.

I can tell by the way that Opposition Members are whipped that, regardless of what I say, the hon. Gentleman will press the order to a vote, but let me at least have a try. He will know, because he is a very intelligent man, that the challenge with these schemes is to balance the carbon reduction against the cost and whom it falls on, and the creation of a competitive advantage. The Government should direct funding—whether taxpayers’

[*Claire Perry*]

money or, as in this case, bill payers' money—in a way that creates better products by pushing a particular market. The challenge is that, while we have been rolling out ECO, there has been a precipitous decline in the cost of some energy-saving measures. The cost of LED lightbulbs is down 80%. That was nothing to do with ECO; somebody just figured out how to make them much more energy efficient. I imagine that most people in this room have fitted at least one LED lightbulb in their home, not because the Government have suggested that they should get money for doing so, but because it saves them money on their energy bills.

The missing piece in what the hon. Gentleman was saying—he said that this is nowhere near enough, and that we need to spend more just to do the same—is that there have been dramatic price falls for many products, but not for those that this scheme has supported. This scheme, in focusing in on tried-and-tested technologies such as cavity wall insulation, has led to very little innovation. Look at what is happening around the world. Thermal paint, for example, can help with the heating and cooling of a property, but we ain't doing none of that in this country using ECO money or other forms of money.

We are directing £0.64 billion a year into these measures. We must focus that on innovation to ensure we develop new products. We could support products such as home thermostat systems. I am not allowed to mention brand names, but smart thermostats can make a dramatic improvement in a home's energy efficiency and can lead to bill savings—we want people to save money, as well as have a warmer home. They have not been supported by the scheme, even though they can save people substantial amounts. The purpose behind the scheme is to do something to drive down the cost of those products so more people can buy them, benefit from the energy efficiency savings and potentially invest their own money in the scheme if they can afford it.

**Dr Whitehead:** Will the Minister reflect on whether the cost per treatment of the innovations she is talking about has overcome the more than 50% loss in funding for ECO schemes since they were first introduced?

**Claire Perry:** If the scheme can pivot away from extremely expensive, highly interventionist measures, and deliver many more measures that in aggregate have the same cost, that would be a good outcome. The hon. Gentleman says that the Labour party has all these grand plans, but I see no evidence, as always with the Labour party, about how they will be paid for and who will bear the burden. He and I spent many a happy hour debating the price cap Bill. We know that consumers want warm homes and the eradication of fuel poverty, but do not want to overpay for their electricity or gas. I have a sneaking suspicion that the Labour party's uncoded plans would inevitably lead to whacked up consumer bills and taxes.

**Dr Whitehead** *indicated dissent.*

**Claire Perry:** But no one has ever said how Labour will pay for any of this stuff—including the shadow Chancellor—so it is all ambitious pie in the sky as far as I am concerned. What we need to do is to balance

continually the cost of what we are doing, the carbon dioxide reduction and the competitive advantage, because by solving our own problems in the UK we can help to solve the world's problems.

Unlike the Labour party, I do not have a quiver full of magic arrows and the promise of a unicorn at the end of every garden. What I have is a serious and sober set of policies, based on regulation. As the hon. Gentleman knows, we have already regulated for an improvement of the energy efficiency of the worst-performing private rented homes in the market. Those regulations are in force, and we think they will have a material impact.

We are rolling out the world's biggest smart meter programme. Why do people get smart meters? Because they want to take control of their energy, and because smart meters help them to reduce their energy consumption. By the end of 2020, every home in the country will be offered a smart meter, or an upgraded smart meter if they already have one, to ensure that there is no interruption of data.

We are investing our own money. Sorry—the Government do not have any money of our own; it is always other people's money. That is another lesson for the Labour party. We are investing other people's money in energy efficiency measures in many parts of the housing stock right across the country. I am also told that increasingly large sums of money are coming particularly from pension funds and other private sector investors who want to invest in such things because doing so is good for their investment return.

I want to create markets that invest in the right sorts of technologies and that bring in the greatest amount of capital. The hon. Gentleman knows, although his Front-Bench colleagues do not, that Governments can never take enough in taxes or control enough of the economy to make a difference by themselves. We always have to incentivise others to innovate and to invest. Another quiver in our bow is the £2.5 billion of innovation money that I am putting into the smart energy space over the course of this Parliament—money that is targeted to get costs down, get carbon down, and build a competitive advantage.

I am disappointed that I am unable to persuade the hon. Gentleman to support what I think is a very sensible set of measures, which manage not to overburden consumers, who are paying for them, and manage to take a scheme that has for too long not focused on helping those who are in the worst financial straits or living in fuel poverty, often in rural areas, and will then drive up innovation and the level of local flexibility, which will mean that the scheme is better targeted.

I conclude by addressing the point made by the hon. Member for North Ayrshire and Arran. We already have many co-operative energy companies running south of the border. There is no barrier to one being set up. If an energy company wants to start up and focus entirely on that issue, that is absolutely fine. She knows that I applaud what is being done by the devolved Administrations, but energy bills and large amounts of energy policy are set and, in many cases, paid for by Westminster taxpayers. It is good to see the innovation, but she should never forget who is actually paying for much of the innovation that we are seeing north of the border.



**Patricia Gibson:** Does the right hon. Lady think that the very high strike price for power from nuclear energy helps or hinders fuel poverty?

**Claire Perry:** I find the hon. Lady's party's ideological objection to a balanced energy supply to be really worrying. I encourage her, as the party's expert on this subject, to go away and have a look at the modelling. In no modelling of any energy system that I have seen, and indeed that has been shown to me by even the most ambitious pro-renewables, are base load, peak load and renewables delivered at the same time.

Luckily, across all the countries we care about having an energy system that is secure, balanced, keeps the lights on and does not overburden consumers. Again, it is easy for the hon. Lady to take such ideological positions, because she never has to sit and think about the energy system in the round, but I would encourage her to think very hard about the fact that for households that she represents in her constituency, as for those in mine, what actually matters is keeping the lights on, keeping the costs down and keeping the carbon falling.

I suspect that we may divide on the order, but I commend it to the House.

*Question put.*

*The Committee divided: Ayes 9, Noes 7.*

**Division No. 1]**

**AYES**

Davies, Chris	Mann, Scott
Goldsmith, Zac	O'Brien, Neil
Harris, Rebecca	Perry, rh Claire
Latham, Mrs Pauline	Prisk, Mr Mark
Lord, Mr Jonathan	

**NOES**

Charalambous, Bambos	Rashid, Faisal
Daby, Janet	Smith, Nick
Lucas, Ian C.	
Perkins, Toby	Whitehead, Dr Alan

*Question accordingly agreed to.*

*Resolved,*

That the Committee has considered the draft Electricity and Gas (Energy Company Obligation) Order 2018.

5.15 pm

*Committee rose.*





