

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

SUBSIDY CONTROL BILL

Third Sitting

Thursday 28 October 2021

(Morning)

CONTENTS

CLAUSES 1 TO 9 agreed to.

SCHEDULE 1 agreed to.

SCHEDULE 2 under consideration when the Committee adjourned till this day at Two o'clock.

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

not later than

Monday 1 November 2021

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The Committee consisted of the following Members:

Chairs: CAROLINE NOKES, † MR VIRENDRA SHARMA

- | | |
|--|---|
| † Baynes, Simon (<i>Clwyd South</i>) (Con) | † Millar, Robin (<i>Aberconwy</i>) (Con) |
| † Benton, Scott (<i>Blackpool South</i>) (Con) | † Mortimer, Jill (<i>Hartlepool</i>) (Con) |
| † Blackman, Kirsty (<i>Aberdeen North</i>) (SNP) | † Scully, Paul (<i>Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy</i>) |
| † Bowie, Andrew (<i>West Aberdeenshire and Kincardine</i>) (Con) | † Stafford, Alexander (<i>Rother Valley</i>) (Con) |
| † Buchan, Felicity (<i>Kensington</i>) (Con) | † Tomlinson, Michael (<i>Lord Commissioner of Her Majesty's Treasury</i>) |
| † Esterson, Bill (<i>Sefton Central</i>) (Lab) | † Whitley, Mick (<i>Birkenhead</i>) (Lab) |
| † Fletcher, Colleen (<i>Coventry North East</i>) (Lab) | |
| † Flynn, Stephen (<i>Aberdeen South</i>) (SNP) | |
| Hollinrake, Kevin (<i>Thirsk and Malton</i>) (Con) | Kevin Maddison, Bradley Albrow, <i>Committee Clerks</i> |
| Kinnock, Stephen (<i>Aberavon</i>) (Lab) | |
| † Malhotra, Seema (<i>Feltham and Heston</i>) (Lab/Co-op) | † attended the Committee |

Public Bill Committee

Thursday 28 October 2021

(Morning)

[MR VIRENDRA SHARMA *in the Chair*]

Subsidy Control Bill

11.30 am

The Chair: Before we begin, I have a few preliminary announcements. May I encourage Members to wear a face covering except when speaking or if they are exempt, in line with the House of Commons Commission's recommendations? *Hansard* colleagues would be grateful if Members could email their speaking notes to hansardnotes@parliament.uk. Please switch electronic devices to silent. Tea and coffee are not allowed during sittings.

We now begin line-by-line consideration of the Bill. The selection list for today's sitting is available in the room and shows how the selected amendments have been grouped together for debate. Amendments grouped together are generally on the same or a similar issue. Please note that decisions on amendments do not take place in the order they are debated, but in the order they appear on the amendment paper.

The selection and grouping list shows the order of debates. Decisions on each amendment are taken when we come to the clause to which the amendment relates. A Member who has put their name to the leading amendment in the group is called first. Other Members are then free to catch my eye to speak on all or any of the amendments in the group. A Member may speak more than once in a single debate.

At the end of a debate on a group of amendments, I shall call the Member who moved the leading amendment again. Before they sit down, they will need to indicate whether they wish to withdraw the amendment or seek a decision. If any Member wishes to press any other amendment in a group to a vote, they need to let me know. We will start with clause 1 stand part.

Clause 1

OVERVIEW AND APPLICATION OF ACT

Question proposed, That the clause stand part of the Bill.

The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Paul Scully): It is a pleasure to serve under your chairmanship, Mr Sharma.

Clause 1 provides an overview of what each part of the Subsidy Control Bill will cover and establishes its application to other legislation. It sets out the definitions, the requirements, the exemptions, the functions of the Competition and Markets Authority and the enforcement of the control requirements. Subsections (7) and (8) specify that if a subsidy is granted or a scheme is created using powers contained in either primary or secondary legislation, the requirements will apply unless an Act of Parliament specifies otherwise. It is a straightforward, uncontroversial overview of the Bill and its application.

Seema Malhotra (Feltham and Heston) (Lab/Co-op): I thank the Minister for his opening remarks on clause 1 stand part. We support the clause, but I will make a few remarks on it. It provides an overview of the Bill. There are concerns that we will discuss further later, but that I want to mention in relation to the overview in clause 1.

As we said on Second Reading, we recognise the need for subsidy control legislation that establishes the framework for state aid post Brexit, but the new regime proposed in the Bill will work only if it provides transparency, oversight and scrutiny. While the Bill's chapters reflect what the key issues are, there are areas where the Bill does not provide sufficient detail and clarity.

We are concerned about a number of areas. First, crucial aspects of the regime are yet to be defined. The Bill may establish a regulatory framework of subsidy control, but it fails to provide any real indication of how, where, and on what scale the Government plan to spend subsidies. As Alexander Rose said in his written evidence,

"there is currently no preferential system to incentivise investment into disadvantaged regions."

The Bill also fails to provide a fair role for the devolved Administrations, and we are concerned that there is not enough balance between efficiency and oversight, particularly related to the CMA. We will debate some of these issues later, but it is important to note in our discussion of the overview why we will want further debate on the gaps in the Bill, and that we will seek to amend it in Committee.

Question put and agreed to.

Clause 1 accordingly ordered to stand part of the Bill.

Clause 2

"SUBSIDY"

Question proposed, That the clause stand part of the Bill.

Paul Scully: Clause 2 is the cornerstone of the new subsidy control regime. It sets out the definition of a subsidy for the purposes of the Bill, and it is a fall-in test, so to be a subsidy, it must be given, directly or indirectly, by a public authority using public resources; it must confer an economic advantage on one or more enterprise; it must be specific, meaning it must benefit one or more enterprise over others by conferring an economic advantage; and finally, it must have, or be capable of having, an effect on competition or investment in the United Kingdom, or on trade or investment between the United Kingdom and other territories.

There is a non-exhaustive list of financial assistances that may count as subsidies in subsection (2). Subsections (3) and (4) establish that financial assistance provided by an intermediary will constitute a subsidy where the funds originated from public resources, or the nature of the relationship between the public authority and the intermediary is such that the decision is effectively that of the public authority. Subsection (5) establishes the point at which a subsidy is deemed to have been given.

Seema Malhotra: I thank the Minister for his remarks on clause 2. We support the clause standing part of the Bill, but there are some areas that I would be grateful for the Minister's comments on. He described the fall-in test: where the condition in each limb of subsection (1) is met, financial assistance is defined as a subsidy. That

definition applies to goods and services. Subsection (2) outlines the means by which a subsidy is given. That effectively includes a direct and indirect transfer of funds. Could the Minister outline what that means for tax reliefs? Perhaps he could provide clarity on what the boundary is, and say what is and is not regarded as a subsidy.

Subsection (3) refers to a person who is not a public authority, but could be treated as one for the purposes of subsection (1). Will the Minister clarify who this is intended to refer to? Who could fall under the scope of subsection (3)? That is important, because it defines who has the authority to bring forward and grant subsidies. We would like greater clarity about what is intended by that; it was not very clear from the explanatory notes. That also relates, to some extent, to subsection (4).

We do not have an issue with subsection (6), but would like clarification on what is defined, and on why the subsection relates to “modification for air carriers”. We do not have a major problem with that; I just thought it would be helpful to clarify it, as it is the first time it comes up in the Bill.

Paul Scully: Largely, the definition of subsidies in the clause has been designed to be consistent with international obligations, especially those arising from the trade and co-operation agreement with the EU, but it does lay the foundation for a bespoke domestic regime, hence the discussion about the UK internal market. A lot of the terminology included is based on domestic legal precedent, such as the definition of an enterprise and the like. On the question about the “person”, that is what I meant about the intermediary; should a public authority not have a direct payment, or if any subsidy comes through a third party, that third party is the person defined in the Bill. Largely, as is the case for tax and aviation, all these definitions sit within the framework of our international obligations under the TCA.

Question put and agreed to.

Clause 2 accordingly ordered to stand part of the Bill.

Clause 3

FINANCIAL ASSISTANCE WHICH CONFERS AN ECONOMIC
ADVANTAGE

Question proposed, That the clause stand part of the Bill.

Paul Scully: Clause 3 establishes that financial assistance should not be considered to confer an economic advantage if it could reasonably have been provided on market terms. It is a small but necessary addition to the core definition of a subsidy for the purposes of the new regime. One example is a loan; it would not be considered to confer an economic advantage if it might have been provided by a bank on the same terms. Similarly, a public authority purchasing goods and services at market rates would not be considered to confer an economic advantage as long as the public authority follows the appropriate procurement processes.

Seema Malhotra: I thank the Minister for his remarks on clause 3. We have no general comments, but could clause 3(2) be brought in as a challenge if, for example, a cheaper loan could arguably have been obtained in the market? To avoid challenge, would that be something

that the public authority needed to verify when granting the subsidy, and when a subsidy is posted, would there need to be some sort of confirmation that such a check had been made?

Paul Scully: The domestic subsidy control regime in its entirety is a bare-bones framework. It empowers public authorities in the UK to design subsidies and other policy interventions, including loans, without facing excessive bureaucracy or lengthy pre-approval processes. It does not have an EU-style regulator that acts as the gatekeeper and provides the definitive decisions on specific cases. However, we will provide guidance in due course that will help public authorities and recipients understand the practical applications of the definitions, and what authorities will need to do to comply with the subsidy control regime, including in the example that the hon. Member mentions.

Seema Malhotra: I hope, from what the Minister says, that there will be tighter guidance on how a public authority ensures that the subsidy it is giving is compliant, and on whether it will need to verify or confirm that—saying, “I confirm that,” or “All this complies with x”—in any entry it needs to make. During the evidence session, it was highlighted that there is a gap in auditing the quality of the checks a public authority makes; if there is no process for that to be recorded, it is not transparent.

Paul Scully: Clearly, anybody giving a subsidy, be they the UK Government, the devolved Administrations or a public authority, would need to keep their own internal audits in case of challenge. However, the guidance that we will develop—with full consultation and discussion with interested parties, including the devolved Administrations, businesses and public authorities, to make sure we are answering the right questions—will have that level of detail.

Question put and agreed to.

Clause 3 accordingly ordered to stand part of the Bill.

Clause 4

FINANCIAL ASSISTANCE WHICH IS SPECIFIC

Question proposed, That the clause stand part of the Bill.

11.45 am

Paul Scully: The purpose of clause 4 is to elaborate on the circumstances in which financial assistance is not considered to be specific where it benefits one or more enterprises over others for the purpose of the new regime. Subsection (2) confirms that financial assistance is not specific if different enterprises are treated differently in a way that can be inherently justified by the nature of the financial assistance. For example, in the case of a special levy for environmental purposes, treating certain goods or services differently can be justified by the effect that the levy aims to achieve.

Subsections (3) to (7) set out further considerations that are relevant to whether a tax measure should be considered specific, as the hon. Member for Feltham and Heston mentioned. Subsection (4) sets out the

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situations in which tax measures may treat enterprises differently without being considered specific by reference to the normal taxation regime. One example is that a tax relief measure by a local authority that advantages one or more local enterprises over another is likely to be considered specific, but it will not be specific if all enterprises in the local area benefit. Subsection (5) makes provision for identifying what the normal taxation regime is by reference to its overall objective, its features and the level of autonomy that the public authority has in the design of the taxation regime.

Subsection (6) confirms that a levy with a non-economic public policy objective would not be specific if treating enterprises differently can be justified by objective criteria—for example, the criterion of limiting negative impacts on public health or the environment. Subsection (7) confirms that any carve-out from the levy will also not be considered specific if the same conditions as those in subsection (6) are met. I recommend that the clause stand part of the Bill.

Seema Malhotra: I thank the Minister for his remarks on the clause. Will he clarify what guidance sits behind it? This is a similar issue to that raised on clause 3(2). A concern was raised by some of our witnesses about potential tax reliefs not being defined as a subsidy, but having the same outcome as a subsidy for all intents and purposes. We obviously want to ensure that there is integrity in the implementation of the regime, so that it does not give rise to concern that there are subsidies being made through the back door that are not subject to the regime's transparency and control measures. Will the Minister confirm that guidance will be developed around this, to make it very clear what the delineations are, and will that guidance be given and explained to local authorities?

Another issue that came up in evidence was that local or other public authorities that have not been involved in granting subsidies before want to be sure that they are making the right decisions, and want to understand the regime and the intentions of the Government.

Paul Scully: Absolutely. First of all, the guidance will give advice on the application of provisions, including the duty to consider and act consistently with the subsidy control principles. We will develop that guidance with full consultation and discussions with other parties, so that we can all look at all the measures, including the tax-specific measures. The guidance will be published in good time to allow public authorities and other stakeholders to understand the key requirements of the new regime before it commences. It is so important that we get the transparency correct and that, as the hon. Lady rightly says, we ensure the integrity of the system.

Question put and agreed to.

Clause 4 accordingly ordered to stand part of the Bill.

Clause 5

SECTION 2: MODIFICATION FOR AIR CARRIERS

Question proposed, That the clause stand part of the Bill.

Paul Scully: The clause establishes a more specific competition test to determine whether financial assistance for air carriers providing air transport services is a subsidy for the purposes of the Bill. Specifically, the clause will require that public authorities assess whether that financial assistance has an effect on competition between air carriers in the provision of air transport services, either within the UK or between air carriers of the UK and those of another country, or could have such an effect. An assessment of that kind more precisely reflects the specific characteristics of the market for air transport services provided by air carriers, as well as meeting our relevant international obligations.

The Chair: I call Seema Malhotra.

Seema Malhotra: I have no comments or questions on clause 5.

Question put and agreed to.

Clause 5 accordingly ordered to stand part of the Bill.

Clause 6

“PUBLIC AUTHORITY”

Question proposed, That the clause stand part of the Bill.

Paul Scully: Clause 6 establishes the definition of the term “public authority” for the purposes of the Bill. It sets out the standard definition of a public authority, denoting a person who exercises functions of a public nature. It is consistent with UK legislative precedent. It does not include either House of Parliament, the Scottish Parliament, the Welsh Senedd or the Northern Ireland Assembly. Provisions relating to the subsidies and schemes in primary legislation are included under clause 78 and schedule 3.

Seema Malhotra: I thank the Minister for his remarks on clause 6. We have no further issues in relation to it.

Kirsty Blackman (Aberdeen North) (SNP): It is a pleasure to be part of this Committee. I wonder whether the Minister could explain a little more the logic behind the exclusions. I have read the explanatory notes, and the intention is still not entirely clear to me. I do not think that I have a problem with it—I think it makes sense—but if he could explain it a little more that would be really helpful.

Paul Scully: I am very happy to respond. The provisions for subsidies given by Parliament, the Scottish Parliament, the Welsh Senedd and the Northern Ireland Assembly are set out in clause 78 and schedule 3, which provide for the giving of subsidies by means of primary legislation. They are covered separately to reflect the unique legal and constitutional position of Acts of Parliament. The legislature is considered to have given a subsidy when it is given under a duty imposed by primary legislation. Those subsidies are captured by schedule 3, but if a subsidy is given under a power in primary legislation, the relevant public authority will be the Minister exercising that power.

Kirsty Blackman: Just to clarify, is the logic that the devolved Administrations and the Houses of Parliament can continue to give subsidies in primary legislation, and that is why an exclusion, or a separate provision, is in place relating to them? Is it partly to do with not being able to bind future Parliaments, or is that totally separate from what we are discussing?

Paul Scully: It is more to do with the fact that public authorities have been added as an extra, whereas state aid did not go down that far. The public authority definition at the beginning widens the definition of who can give subsidy control, whereas it is established that the UK Government and the devolved Administrations, including the Scottish Parliament, can continue to give as they do now.

Seema Malhotra: This is a helpful discussion. Further to that point, is it to differentiate—I think the Minister alluded to this—who has the power to grant the subsidy? For example, the Houses of Parliament may not but the Secretary of State or Ministers may. Is that the distinction that we should read here, or am I confusing things?

Paul Scully: Essentially, the things that tend to be given will usually be given with the agreement of the Houses of Parliament. Although it may be the UK Government that award the subsidy, it will clearly be on the back of parliamentary powers that they do so. That is where we are coming from.

Question put and agreed to.

Clause 6 accordingly ordered to stand part of the Bill.

Clause 7

“ENTERPRISE”

Question proposed, That the clause stand part of the Bill.

Paul Scully: The clause establishes the definition of “enterprise” for the purposes of the Bill. Under the new regime, an enterprise is any person or group of persons under common ownership or common control offering goods or services in a market. Importantly, the definition applies only to the extent that the person is engaged in such activity. It is purposely broad, it is consistent with our international obligations and other UK legal precedents, and it will ensure that the new subsidy control rules apply widely to protect UK competition and investment.

Seema Malhotra: Will the Minister clarify whether that definition extends to social enterprises and co-operatives for the purposes of organisations that may be involved in economic activity? Will those organisations be within scope to potentially receive subsidies from public authorities?

Paul Scully: If a person is not engaged in economic activity, they will not be defined as an enterprise. Generally speaking, a charity or community group is unlikely to carry out economic activity. However, we are not explicitly excluding anyone from the definition of enterprise just because of their legal form. The hon. Lady talks about social enterprises, which are obviously different from charities, because some can be normal companies but

do not make profits or have shareholders. However, that is economic activity, so those would be included within the definition.

The test looks at the activity that is proposed to be subsidised, rather than the legal form of the subsidy recipient. One organisation may be considered an enterprise in some contexts and for some activities but not others. One example might be a medical research charity that has a retail arm. Support given to the medical research activity is not a subsidy, because the research is not economic activity, even though the charity’s retail operation may be considered an enterprise.

Kirsty Blackman: I have a couple of questions. I am aware of social enterprises in Aberdeen that make and sell frames or make bread and run cafés and things like that. It sounds as if that would be included within the definition of economic activity, because they are selling things to the general public, even though their main purpose is to ensure that people who are disadvantaged in society are given the opportunity to get work experience and things like that. It would be helpful if the Minister could say whether he intends the clause to cover all economic activity, regardless of who is doing it, but that the subsidy relates only to the arms of those organisations that are undertaking the economic activity; and that the clause applies across the board to charitable organisations and social enterprises as well as normal businesses, so long as the thing they are doing is classed as economic activity. Have I got that right?

Paul Scully: The hon. Lady has got that right. Some charities have a commercial retail arm that are taxed and approached in different ways. For example, Help for Heroes has a retail arm as well as the main fundraising arm. There is clearly no intention for subsidies of cake sales or anything like that—money may be handed over, but that is fundraising—whereas retail involves the selling of things. I am not saying that that specific example will involve in any subsidy, but such an example, where a separate business is aligned to the charity, is where the enterprise comes in that covers the economic activity that we are describing.

Question put and agreed to.

Clause 7 accordingly ordered to stand part of the Bill.

Clause 8

PERSONS UNDER COMMON CONTROL

Question proposed, That the clause stand part of the Bill.

12 noon

Paul Scully: The clause elaborates on what is meant by common control for the purpose of identifying an enterprise. It sets out the circumstances where common control arises: where one or more corporate bodies is controlled by one person or a group of persons, or where there are interconnected corporate bodies. An interconnected corporate body is where a subsidiary or subsidiaries exist.

A person, or a group of persons, is treated as having common control when, directly or indirectly, they can control or materially influence the economic activity of

[Paul Scully]

another corporate body, which also applies where there is no controlling interest over the corporate body. Interconnected corporate bodies or a group of persons under common control are considered to be a single enterprise for the purpose of the subsidy control regime. The clause will ensure that the rules under the regime are applied fairly, regardless of corporate structures.

Seema Malhotra: I thank the Minister for his comments on clause 8. For the purposes of clarity around where public resources may go, will he explain what the clause means if, in a group of companies, one of them is granted a subsidy? Could that subsidy be shared with others in the group? I am not fully clear what the clause means.

Secondly, what if one of the other companies in the group has interests abroad? Is there something in the legislation that prevents public subsidies in the UK going through company structures within the same group to then subsidise activities abroad? I would be grateful if the Minister could clarify that—it is genuinely not very clear.

Paul Scully: The hon. Lady gives an interesting example, which I may need to clarify afterwards. However, the essential drive behind the clause is to provide effective definitions so that public authorities can identify the characteristics of an enterprise receiving a subsidy to make sure it complies with the requirements in the first place.

A public authority should not give a subsidy to a business that is a subsidiary of a large parent company without considering that large enterprise as a whole. A subsidy designed to support a microbusiness, for example, would be inappropriate in that kind of situation. The whole group has to be considered to assess the incentives of the recipient and whether the subsidy is an appropriate and proportionate way to address that market failure.

Another example might be the minimal financial assistance exemption. Two companies under common control should not both receive subsidies of £200,000, for example, as minimal financial assistance. That would exceed the threshold of £315,000 for a single enterprise.

The measures must apply regardless of the way an enterprise is structured. The clause gives public authorities the clarity to identify where the subsidy actually ends up and whether it is being used for its intended purpose—rather than, as the hon. Lady says, the possibility of it being moved abroad or to another part of the group, which would not achieve the aims for which the subsidy was given.

Seema Malhotra: I thank the Minister for those points. However, there could be an unintended difference between what the Government intend and what the law and guidance, if not clear, could result in. I would be grateful if the Minister could come back in writing to explain, specifically, what the Government's intentions are for the guidance that may be given to an enterprise receiving a subsidy as to whether, once it has been given, there are controls on where the subsidy could be passed on to. I know that somewhere else in the Bill, it says that if a company's ownership changes, the subsidy can pass through, but this is a point about clarity and guidance regarding what controls exist once that subsidy is given.

Secondly, on this point about potential ownership of a group or the enterprise, are there any constraints or guidance—or is there an intention of producing any guidance—in relation to companies that may be, for example, foreign-owned but trading here, where some subsidies could end up going into other countries? Is there clarity about how that is potentially going to receive guidance or be regulated to ensure it does not happen, if that is the Government's intention?

Paul Scully: I thank the hon. Lady for her questions, and I appreciate that clarity is required on this issue. I will give her a fuller answer in writing. What I will not be able to do, though, is pre-empt the guidance, which as I say we will be developing through discussion as we progress after the framework Bill has been approved. However, the definition of a wholly owned subsidiary can already be found in section 1159 of the Companies Act 2006, so again, this is taken from legal precedent.

Seema Malhotra: I thank the Minister for that. He is referring to subsection (5), but it would be of benefit to the Committee to receive a response in writing on those broader points.

Paul Scully: I should add, as I said in my original response, that when public authorities are giving the subsidy, it is important to ensure that that subsidy is going to the enterprises for the purposes of the market failure that they are trying to correct.

Question put and agreed to.

Clause 8 accordingly ordered to stand part of the Bill.

Clause 9

THE SUBSIDY CONTROL PRINCIPLES AND THE ENERGY AND ENVIRONMENT PRINCIPLES

Question proposed, That the clause stand part of the Bill.

Paul Scully: Clause 9 establishes that the subsidy control principles are set out in schedule 1 to the Bill, and that the further principles for public authorities awarding energy and environment subsidies are set out in schedule 2 to the Bill. Those common-sense principles, requiring that subsidies are an appropriate, proportionate means of addressing a specific policy programme, are set out in clear terms in the relevant schedules. I commend the clause to the Committee.

Seema Malhotra: I thank the Minister for his comments. Labour has no further issues with this clause.

Question put and agreed to.

Clause 9 accordingly ordered to stand part of the Bill.

Schedule 1

THE SUBSIDY CONTROL PRINCIPLES

Seema Malhotra: I beg to move amendment 6, in schedule 1, page 51, line 8, after “concerns” insert “and areas of deprivation”.

This amendment includes areas of deprivation as an example of the equity rationales that subsidies should address.

Under EU state aid rules, subsidies could be, and indeed were, targeted at areas of economic deprivation, significantly aiding struggling regions. Labour recognises the ongoing debate about assisted areas or other ways

in which there could be a successor scheme to those rules, in order to support better and more effective targeting and transparency about where public resources are going, and indeed to support the levelling up agenda. We are concerned that this is not explicit in the Bill; it is merely alluded to in guidance. This important principle needs to be explicitly in the Bill for those who might be interpreting legislation in the near future or who want it to be a regime that stands the test of time and has the confidence of all four nations.

As Professor Fothergill highlighted, as the Bill currently stands we could be treating investment in a wealthy part of Guildford on the same basis as a potential investment in a less prosperous part of Grimsby. That seems counterintuitive to the oft-quoted term “levelling up”, which highlights a policy priority for Governments of all persuasions and is a new term for what we have all talked about: increasing equality and making sure there is prosperity in all parts of our country. It is important that we all agree on the need to make sure that public resources are being used to the best effect and to achieve the best outcomes for those areas of greatest need.

Professor Fothergill went on to say:

“You would not be attempting to incentivise the levelling up of the United Kingdom. In certain places, if we really are serious about levelling up, we have to put more resources into that effort, and we have to use state aid as one of the tools for delivering new jobs.”—[*Official Report, Subsidy Control Public Bill Committee*, 26 October 2021; c. 11, Q7.]

I would be grateful for the Minister’s response on that. Does he agree that the Bill should include a stronger mandate for reducing economic inequality? The notes on the Bill’s intention allude to levelling up, and the Government created a specific Department for levelling up. Given how much the Government have been talking about levelling up, I must say it was surprising not to see it more explicitly in the wording of the Bill. Could the Minister respond to that?

We are concerned about the overall principles. I understand that they are derived from agreements within the TCA, but they can be amended. It is not that we do not have the authority to do that. Where, if not here, do the Government intend to include and support the equity rationale that subsidies are supposed to be addressing? We believe that the amendment would make it clear that the new subsidy regime can and should play a role in reducing regional and sub-regional inequality. It is a simple way of addressing the issue within the Bill.

Paul Scully: As we have heard, amendment 6 seeks to include areas of deprivation as an example of the equity rationale that may be addressed through subsidies. Firstly, I would like to use this opportunity to welcome the hon. Lady’s commitment to the levelling-up agenda. The Government are clearly committed to ensuring that prosperity and opportunity is shared across all parts of the UK. The domestic subsidy control regime will facilitate this. It will allow public authorities to deliver investment in skills, local infrastructure and new technologies.

Principle A within schedule 1, as well as the wider subsidy control system, has been designed to allow public authorities to address inequality and disadvantage through the use of subsidies. The principle specifies that subsidies should pursue a policy objective that either remedies a market failure or addresses, to quote from schedule 1,

“an equity rationale (such as social difficulties or distributional concerns).”

As currently drafted, schedule 1 clearly covers investment in disadvantaged or deprived areas; as such, the amendment is unnecessary. Through guidance, we can come up with more specific clarity to public authorities, but I do not believe it is helpful to list in the Bill every policy objective that a subsidy may address. As I say, the specific examples will be covered and elaborated on in guidance, which is a more appropriate place to address the practical application of the subsidy control principles. I therefore suggest that the hon. Member for Feltham and Heston withdraws the amendment.

12.15 pm

Kirsty Blackman: May I ask the Minister for some clarity on that? He says that he expects that more information about principle A will come out in guidance. Does he expect that that will encourage granting bodies to look at reducing inequality in some of the subsidies that they make?

Paul Scully: It will set that out in guidance. The hon. Member for Feltham and Heston talked about the evidence session, and Guildford got quite a bad rap, having come up a couple of times as the example. None the less, we want to ensure that we directly address issues of inequality and disparity through the levelling-up agenda. That will come out through guidance and ensure that we address exactly what the hon. Member for Aberdeen North was saying.

Kirsty Blackman: One more try on this. Does the Minister expect that the Government’s levelling-up agenda will be part of the direction of travel in the guidance, so that the guidance will encourage granting authorities to line up with the Government’s levelling-up agenda?

Paul Scully: In terms of levelling up, it has been designed to provide a bespoke and dynamic framework. It allows public authorities to deliver bespoke subsidies that are tailored to their local needs, which will indeed address the UK Government’s priorities, such as levelling up, but within their own areas. Public authorities are best placed to work out how to address the inequality and disadvantage within regions, as well as between regions, so we have developed an approach that ensures that disadvantaged areas have the maximum freedom and reassurance to receive the levelling-up subsidies and best meet the characteristics of the area.

Seema Malhotra: I will make a few remarks and then clarify whether I will push the amendment to a vote. I will respond to some of the points raised, and I thank the hon. Member for Aberdeen North for her comments. It is important to ensure that a more explicit intention is incorporated in the wording of the Bill, but I worry that that will not be achieved as explicitly as it ought to be, if it is so squarely in line with the Government’s intentions.

I want to come back on one of the points that the Minister made. We have spoken about the evidence in relation to Guildford and Grimsby, but he makes an important point. Every area has better-off, prosperous parts and others that are worse off, which is why it is important to think about levelling up not just between regions but within them, as he said. Indeed, I know that some wards in my constituency have some of the worst

[Seema Malhotra]

records in the country for children going to university. Some of them have improved, but some London wards can be as poverty stricken as other parts of the country, which is why we need to have a more mature debate about levelling up that looks at some of those issues. What is important is that this will be an ongoing discussion throughout the course of the Committee. We have not fully closed off whether, and how, there should be a successor to the assisted areas map. We take the point about the boundaries not always being clear if we do try and have a map, and I have concerns about that having unintended consequences, such as excluding areas further down the line that may have good reason to be considered for subsidies. However, there is an important principle here, and I do not want us to lose it. I will not be pushing this amendment to a vote today, but I do think that it is one that with further discussion and clarity—reviewing some of the evidence—we may want to come back to at a later stage.

Paul Scully: I agree with many of the hon. Member's remarks, as I am the Minister for London as well. We are talking about addressing areas of inequality within regions, as well as between regions. By having a blunt tool, we can sometimes miss out on those pockets of deprivation, as well as the wider issues—both need to be covered.

Seema Malhotra: I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Seema Malhotra (Feltham and Heston) (Lab/Co-op): I beg to move amendment 7, in schedule 1, page 52, line 6, at end insert—

“(c) the United Kingdom reaching its net-zero commitments.”

This amendment adds the impact on the UK's net-zero commitments as a particular consideration for public authorities before deciding whether to give a subsidy.

The Chair: With this it will be convenient to discuss amendment 8, in schedule 2, page 52, line 15, at end insert—

“(c) delivering the UK's net-zero commitments.”

This amendment would ensure that subsidies related to energy and the environment incentivise the beneficiary to help deliver the UK's net-zero targets.

Seema Malhotra: Thank you for allowing me to speak to the amendment, Mr Sharma. I want to speak about why I think this is so important. The reason for this amendment is that the Bill should prevent subsidies that unnecessarily harm or impede the UK's work towards net zero. In the Bill as it currently stands, subsidies not related to energy or the environment can meet all of the subsidy control principles, but could work against the Government's overall goal of moving towards net zero.

To prevent this the Government are seeking to amend principle G of the schedule, in order to state that the subsidy's beneficial effects must outweigh any negative consequences they may have on the UK's net zero commitment. This was supported in evidence by Alexander

Rose from DWF Group, who noted that all civil servants would be mandated to take account of net zero. Why not extend that thinking to other public authorities and to every single subsidy? Similarly, subsidies related to energy and the environment should not impede the UK's work towards net zero. More than that, they should actively work towards the UK reaching its targets. We are having this debate and seeing the Bill pass through Committee during COP26; in fact, we are leading into COP26 and we will pick up after it. Does the Minister agree that if the Government want to show they are serious about this, we should be thinking about how to ensure that when public money could be used to support policy objectives, we include the United Kingdom reaching its net zero commitments as part of that?

Andrew Bowie (West Aberdeenshire and Kincardine) (Con): I find nothing objectionable in what the hon. Lady is saying or indeed the amendments. However, possibly due to what she has said about the Government's amendment and what is already in the Bill, I do not know whether what she is proposing is entirely required. Directly underneath where her proposed sub-paragraph (c) would be inserted, principle A in schedule 2, on the aim of subsidies in relation to energy and environment, refers to the aim to deliver

“a secure, affordable and sustainable energy system”,

and, in sub-paragraph (b), the aim to increase

“the level of environmental protection compared to the level that would be achieved in the absence of the subsidy.”

Both are very much in line with, and compatible with, our aim to reach net zero.

Seema Malhotra: I thank the hon. Gentleman for his comments. My understanding is that the energy and environment principles would apply to subsidies in relation to energy and the environment. We are talking about a slightly broader principle here, which is that any subsidy granted under the regime should not have a harmful impact on achieving our net zero outcomes. That would seem to be a slightly perverse use of public money when net zero is such an explicit goal and when civil servants will need to be working towards it. Indeed, as Dr Barker outlined on Tuesday,

“the green industrial revolution that we are all seeking to work towards in order to achieve net zero is also something that will require...partnership between business and Government”,

and

“an effective subsidy system can be part of that.”—[*Official Report, Subsidy Control Public Bill Committee, 26 October 2021; c. 39, Q52.*]

These amendments are simply saying that if we are serious about what achieving net zero will mean, we should not allow a system to be established, at the same time as COP26, that could work against that, and do so using public money.

Kirsty Blackman: For the avoidance of doubt, my colleague and I support amendments 7 and 8, which are both incredibly sensible. As is quite often the case in Bill Committees, I wish I had thought of them earlier and tabled them first.

I agree with the hon. Member for Feltham and Heston about COP26. This is happening now, and it is a moment that we can take advantage of to get towards net zero

commitments. COP is coming up and there is a groundswell of public support for trying to make a difference. This is something on which my colleague and I also moved amendments during proceedings on the Advanced Research and Invention Agency Bill. We wanted ARIA's No. 1 priority to be a focus on net zero. We also wanted a commitment from the Government that ARIA would itself operate on a net zero basis, because we are beyond the time for talking about this. In order to meet the UK Government and the Scottish Government's commitments, we need to be taking action on this, rather than just talking about it.

It is all well and good to have in place the stuff that my neighbouring MP, the hon. Member for West Aberdeenshire and Kincardine, talked about for energy and environment subsidies, but we need that for all subsidies, whether they relate to energy and the environment or anything else. This should run through everything that the Government are doing. For every decision in the Budget, which is being discussed in the main Chamber, we should be asking, "How does this get us towards net zero and reducing our carbon output?"

I just do not think we are there yet. It does not feel like the Government are taking this seriously enough, and it is not just this Government. Governments around the world are not taking this seriously enough. We need to be there now and making that commitment. If the subsidy control regime is intended to work and to stand the test of time, and if we are looking towards those net zero targets, we need that to be in this Bill. At the very least, we need a strong commitment from the Minister that subsidies in relation to not just energy and the environment but other areas will be more favourably looked on, or less likely to be rejected out of hand, if they specifically work towards reaching the UK's net zero targets, and particularly if they work towards something that is carbon negative. We are not doing enough of those things, so if more of the new policies that come through were carbon negative, it would be much easier for us to get to our net zero target. If the Minister could make some strong commitments on that, it would be hugely welcome, but I will be happy to support the amendments tabled in the name of the Opposition.

12.30 pm

Bill Esterson (Sefton Central) (Lab): It is a pleasure to see you in the Chair for these sittings, Mr Sharma.

I completely agree with everything the hon. Member for Aberdeen North says and with what my hon. Friend the Member for Feltham and Heston said in moving the amendment. What is needed from Government is the commitment to hit net zero and the mechanisms to do so. That needs to go right across Government, in everything we do.

I take on board the point the Minister has already made in today's deliberations that not everything is in the Bill; I understand that and I accept it. However, as the hon. Member for Aberdeen North argued extremely well, there is a strong—we would say an essential—case for net zero to be at the heart of the regime put in place by this legislation.

Schedule 2 does not mention transport, agriculture or housing insulation, to name just three examples, so it is not comprehensive as currently drafted. That is why

we need to go much further to meet the scale of the challenge in the subsidy control regime that we are debating putting in place. The Budget yesterday did not address net zero, and it is frankly extremely worrying that it did not, especially in the run-up to COP26.

I am afraid the announcements last week did not constitute a plan and were nowhere near meeting the requirement to hit the net zero targets this country is committed to in the timely fashion that is needed, especially in terms of the front-loading we all now understand is essential in all areas except the energy industry. It is needed in transport, in building insulation and in agriculture; it is needed across industry. Unless this is in the Bill, setting out the requirement for net zero to be at the heart of the subsidy regime, I am afraid we as a country, and this Government as a Government, will not be doing what is needed.

Alexander Stafford (Rother Valley) (Con): Do we need to put net zero down on the subsidy as it is? If the hon. Gentleman remembers our Paris agreement only a few years ago, he knows we agreed to get to net zero by later this century. Now we have moved it forward to 2050, and I hope—I am sure the Government hope—that we will move our net zero agreement even further forward as time progresses. Will this proposal not make the Bill a bit out of date in a few decades' time, when it should stand for longer?

Bill Esterson: The amendment, because of the way it is phrased, envisages those changes and the increasing urgency. Let us remind ourselves that, on our present track, we are looking at a temperature rise of more than 1.5 °C through the existing commitments and policy decisions not just of this country but of Governments around the world. It is important to acknowledge that we cannot do it on our own, as we are responsible for only 1% of emissions, but when we are trying to show world leadership with the presidency of COP26, it is incumbent on us to show that leadership in everything we do, and we, as Members on this Committee, have an opportunity right here, right now to support making that commitment and putting it into legislation.

Given the way the amendment is crafted, the wording, "the United Kingdom reaching its net-zero commitments", does stand the test of time as and when things change. The challenge the hon. Member for Rother Valley makes is another reminder that we need to bring things further forward and that it has become important to do that over time. At the moment, we have interim dates to hit, with ambitions in 2030, and the Government have made some progress there, but by no means enough to do what is necessary to keep us to 1.5°.

Stephen Flynn (Aberdeen South) (SNP): The hon. Gentleman is making some salient points in response to the hon. Member for Rother Valley. However, once the Government eventually hit their net zero targets, will they not want to maintain those targets and not reverse that journey? In such case, the remarks of the hon. Member for Rother Valley would be completely irrelevant.

Bill Esterson: That is a good point. The hon. Gentleman is right that this does not end when we reach net zero—that is the first point. The second point is that if

[*Bill Esterson*]

we need a change, we can amend the legislation later. Right now, however, this is the crucial change that the country and the world need to make. I reiterate that we as Members of the UK House of Commons—those of us here today—have an opportunity to make a statement and a commitment and to put this change on the face of the Bill.

Kirsty Blackman: I got so carried away with my attempts to convince the Government to get to net zero as soon as possible that I forgot to ask questions when I stood up previously. It would be useful if the Minister could clarify why there are two schedules. Why does the treatment differ between the two areas? There is a difference in the treatment of subsidies in relation to energy and the environment compared with subsidies relating to any other area, and I do not quite understand the logic of having two different things. One set of principles could have covered everything, including moving toward net zero. If the Minister will explain why there are two separate schedules and why the two areas are being treated differently, that would be incredibly helpful.

Paul Scully: Let me answer that point before I speak to amendment 7. The two schedules and the additional principles are there literally just to adhere to our international obligations.

Hon. Members can rest assured that our new subsidy control regime will support the UK in meeting our net zero target by 2050, first by facilitating strategic and appropriate subsidy interventions with minimal bureaucracy and delay and secondly by ensuring that energy and environment subsidies are assessed against additional principles that promote carbon neutrality and sustainability.

The hon. Member for Sefton Central said that he could not see net zero in the Budget, but the spending review backs up the net zero strategy published the week before. The Budget will fund our strategy, which will then leverage private money and create jobs and opportunities in markets that will drive towards net zero.

Turning to amendment 7 itself, it is unnecessary explicitly to require public authorities on the face of the Bill to consider the negative effects of subsidies on the UK's net zero commitment as part of their compliance with principle G. Public authorities will clearly need to consider the effects of subsidies in the round before awarding them, but the amendment would give undue prominence to net zero considerations with respect to subsidies that may have entirely unrelated objectives, such as high street regeneration or providing training opportunities for young people.

Kirsty Blackman: Does the Minister agree that this is the most important thing for every single one of us? Whether people are regenerating high streets or doing anything else, they should be ensuring that they are also moving towards net zero.

Paul Scully: I agree that we should be doing so, but what I am saying is that we do not need to do it in a process-driven way. It should be done, in the first place, in the devising and implementation of policy. I do not want to create two separate processes, because that might lead to public authority having to make assessments for every single subsidy that is awarded or made, even when there is no meaningful impact—just look at that

bureaucracy. What we need to do is ensure that we enmesh net zero thinking in our policy development at every layer of government, rather than just listening for signals. Clearly, we need to take that leadership at COP26. We realise that this is the time to lead and to act, for all international Governments.

Unfortunately, the Bill will not have completed its parliamentary process by the time everyone leaves Glasgow. None the less, we need to ensure that we set out the strong work that we are doing. We have already announced policies that involve subsidies in some sectors, such as the clean heat grant and the contracts for difference scheme, announced by the Chancellor in the March 2020 Budget, providing up-front capital grants for the installation of low-carbon heat pumps and, in limited circumstances, biomass boilers. Those schemes will help consumers to overcome the higher up-front costs of low-carbon heat and will build the supply chains for it ahead of the introduction of regulations for existing buildings off the gas grid later in the decade. Those schemes—all schemes—will have to meet the terms of the domestic principles, which should also ensure that the money is well targeted and achieves good value for the taxpayer.

We have established the green jobs taskforce, which advises on how Government, industry and the education sector can work alongside other stakeholders to realise the opportunities of a green industrial revolution, supporting green jobs and skills, and ensuring that those opportunities are open to all. The evidence collected by that taskforce and its recommendations are being considered by Government as part of the development of the ongoing net zero strategy, which was published last week. We will develop that.

Those are the clear leadership principles that we should be promoting and pushing out to international colleagues from Governments around the world, who are coming to Glasgow this week and next, ahead of COP26. However, we do not need just this one principle, understandable as it is, in the Bill. Principle G already singles out negative effects on competition or investment within the UK and on international trade and investment. That is appropriate, as such distortions go to the very heart of what the subsidy control regime is for. By definition, a subsidy must have effect on competition, investment and trade, and distortion is common to all subsidies, regardless of what they seek to achieve.

Net zero considerations, however, are not inherent to all subsidies. Some subsidies will of course help businesses to reduce their emissions, but a great number will not have any meaningful or, importantly, measurable impact on the UK's greenhouse gas emissions.

Amendment 8 would add to schedule 2 a requirement for energy and environment subsidies and subsidy schemes to deliver, or to incentivise the beneficiary in delivering, the UK's net zero commitments. The intended effect is that a public authority planning to grant an energy or environment subsidy or scheme would not be able to proceed unless it was satisfied that that subsidy or scheme contributed towards net zero commitments.

It may be useful to recap that energy and environment subsidies must be assessed against a number of additional principles, which are set out in schedule 2. Those common-sense principles are designed to ensure, for example, that public authorities consider the need for energy and environmental subsidies to achieve reductions in emissions

or otherwise increase the environmental protection relative to the level achieved without subsidy. They also ensure compliance with the UK's international obligations under the trade and co-operation agreement with the European Union.

We share the commitment to the net zero agenda, as I expressed. We believe that subsidies correctly designed and targeted can be a powerful means to achieve that.

Kirsty Blackman: The Minister is doing a good job of explaining what is intended by some of this, putting some meat on it, which is helpful. Will he explain what environmental protection means?

Paul Scully: There is a wide definition of environmental protection beyond net zero, as big and important as that is. The principles in schedule 2 fully support the UK's priorities on net zero and the wider protection of the environment. The additional requirement to assess the subsidy or scheme against the net zero priorities is therefore unnecessary and may actually discourage public authorities from granting energy and environmental subsidies designed to achieve other valuable aims, such as an affordable energy system or increasing biodiversity. I humbly ask the hon. Member for Feltham and Heston to withdraw the amendment.

12.45 pm

Seema Malhotra: I thank the Minister for his remarks and all hon. Members who have contributed, including the hon. Members for Aberdeen North and for Aberdeen South. I will push amendment 7 to a vote, and will do the same with amendment 8 later. The wording has been quite carefully constructed. Schedule 1 states:

"Subsidies' beneficial effects (in terms of achieving their specific policy objective) should outweigh any negative effects, including in particular negative effects on—(a) competition or investment within the United Kingdom; (b) international trade or investment."

Amendment 7 would add:

"(c) the United Kingdom reaching its net-zero commitments."

I have not heard from the Minister a strong argument as to why we would not want public authorities granting subsidies using public resources to ensure that beneficial effects outweighed any negative effects on the UK's achieving its net zero commitments. That principle is significant, and it should be in the Bill, so I will push the amendment to a vote.

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 9.

Division No. 1]

AYES

Blackman, Kirsty	Flynn, Stephen
Esterson, Bill	Malhotra, Seema
Fletcher, Colleen	Whitley, Mick

NOES

Baynes, Simon	Mortimer, Jill
Benton, Scott	Scully, Paul
Bowie, Andrew	Stafford, Alexander
Buchan, Felicity	Tomlinson, Michael
Millar, Robin	

Question accordingly negatived.

Question proposed, That the schedule be the First schedule to the Bill.

Paul Scully: The schedule sets out the seven general subsidy controls, including how public authorities should consider and assess a policy objective, and make sure a subsidy is proportionate and that it incentivises and leads to a change of behaviour in a beneficiary that would not have happened had they not had the subsidy. It does not include normal business expenses. It provides that alternative policy levers that are likely to cause less distortion should be considered before a subsidy, and that subsidies should be designed in a way that meets the policy objective and minimises the impact on competition and investment within the UK's internal market.

Finally, principle G requires public authorities to conduct a balancing test to assess the effects on competition and investment in the UK and on international trade or investment, and to determine whether the benefits of a subsidy are greater than the negative effects of providing it. I commend schedule 1 to the Committee.

Seema Malhotra: I thank the Minister for his remarks. Notwithstanding the debate that we have just had and our ongoing concerns, which we want to return to later in the consideration of the Bill, we support schedule 1.

Kirsty Blackman: I would like to ask a few questions, particularly about principle F in schedule 1, which says:

"Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom."

If someone was looking to invest in the United Kingdom, create jobs, start a business or bring a specific arm of a business to a certain place, and Aberdeen were to subsidise that, which would therefore have a negative effect on Cardiff, because Cardiff was not getting the jobs and Aberdeen was, is that excluded as a result of principle F? It concerns me that pretty much every subsidy that could be given will have a potential negative effect on another part of the UK because it would be incentivising investment, or whatever, in one part of the UK.

I am concerned that principle F can be read either as not meaning anything or as something that is too restrictive for what the Government are trying to achieve with what they are doing. I am thinking about what the Government are trying to achieve because a number of Government Back Benchers stood up on Second Reading and said, "This is great, because it means we will be able to get lots more investment and put lots of subsidies into our area." If that is the Government's intention, which I think it probably is, I worry that the risk-averse nature of granting authorities means that they will be concerned about doing that, in case they fall foul of the principle. If the Minister gave us a bit more clarity on how the principle is intended to work, that would help granting authorities to make the right decisions in order to subsidise economic development in their areas.

Paul Scully: I thank the hon. Lady for that important question. The answer to her first question is no. It is more about fitting in with the levelling-up agenda, which is what hon. Members talked about on Second Reading—attracting subsidies to an area. For example, we have seen a lot of renewables investment, including offshore wind and the manufacture of equipment, in Teesside and Humber. We have seen the setting up of

[Paul Scully]

gigafactories in the north-east and other areas, and such inward investments provide stimulus in those areas. There are natural clusters of businesses in those areas, but it is more in this regard—the distortive effects of, say, moving companies from one area of the UK to another, and adhering to the United Kingdom Internal Market Bill, which we debated last year. It is about ensuring that that works, rather than being in some sort of race between the devolved Administrations of the nations, or between regions, to attract inward investment.

Kirsty Blackman: If, for example, an offshore wind farm is built off the coast of Teesside, rather than off the coast of Aberdeenshire, because of the subsidy regime that is in place, that is, by its very nature, disadvantageous to Aberdeenshire. That is what I am trying to work out here.

I think I get what the Government are intending: they are trying to stop a subsidy race. That is the intention behind the schedule, but I feel that the schedule does not achieve it. I am concerned about how the provision is worded, because any subsidy will be advantageous to one region and not to another, which is the intention behind subsidies. There could be more clarity on that principle so that it achieves what the Government want and does not preclude local authorities, or any other granting authority, from making decisions that will advantage their areas.

Paul Scully: Essentially, the framework and the clause minimise, but cannot eliminate, distortion. That is the purpose of the Bill.

Andrew Bowie: This is relevant to principle G, which says:

“beneficial effects...should outweigh any negative effects, including...competition or investment within the United Kingdom”. I cannot see where the hon. Member for Aberdeen North is coming from when she says that more clarity might be good for local authorities and other granting bodies. That is quite clearly addressed in the Bill, so the Government are clearly trying to stop the negative effects she has described.

Paul Scully: My hon. Friend makes a good point. The Bill weighs up the benefits versus the disadvantages, and minimises rather than eliminates distortion—we cannot eliminate distortion. We have talked about this a

number of times, and we will continue to, but the upcoming guidance will start to flesh out some of the specifics, which it is probably not appropriate to get into now.

Kirsty Blackman: Principle G absolutely does help, but it does not fix the problem. Ensuring that the positive effects outweigh the negative effects is good and grand, but comparing a windfarm in Teesside and a windfarm in Aberdeenshire relates to balance rather than the positive effects outweighing the negative. That just encourages the same investment and the same number of jobs in one place in the United Kingdom rather than in another. That is why I am concerned that G does not exactly fix that issue.

Question put and agreed to.

Schedule 1 accordingly agreed to.

Schedule 2

THE ENERGY AND ENVIRONMENT PRINCIPLES

Amendment proposed: 8, in schedule 2, page 52, line 15, at end insert—

“(c) delivering the UK’s net-zero commitments.”—(*Seema Malhotra.*)

This amendment would ensure that subsidies related to energy and the environment incentivise the beneficiary to help deliver the UK’s net-zero targets.

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 9.

Division No. 2]

AYES

Blackman, Kirsty
Esterson, Bill
Fletcher, Colleen

Flynn, Stephen
Malhotra, Seema
Whitley, Mick

NOES

Baynes, Simon
Benton, Scott
Bowie, Andrew
Buchan, Felicity
Millar, Robin

Mortimer, Jill
Scully, Paul
Stafford, Alexander
Tomlinson, Michael

Question accordingly negated.

Ordered, That further consideration be now adjourned.
—(Michael Tomlinson.)

12.58 pm

Adjourned till this day at Two o’clock.