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GENERAL COMMITTEES

Public Bill Committee

ENERGY BILL [*LORDS*]

Ninth Sitting

Tuesday 13 June 2023

(Afternoon)

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Saturday 17 June 2023

The Committee consisted of the following Members:

Chairs: Dr Rupa Huq, James Gray, Mr Virendra Sharma, † Caroline Nokes

† Afolami, Bim *(Hitchin and Harpenden)* (Con)
† Blake, Olivia *(Sheffield, Hallam)* (Lab)
† Bowie, Andrew *(Parliamentary Under-Secretary of State for Energy Security and Net Zero)*
Britcliffe, Sara *(Hyndburn)* (Con)
† Brown, Alan *(Kilmarnock and Loudoun)* (SNP)
† Clarkson, Chris *(Heywood and Middleton)* (Con)
† Fletcher, Katherine *(South Ribble)* (Con)
† Gideon, Jo *(Stoke-on-Trent Central)* (Con)
† Jenkinson, Mark *(Workington)* (Con)
† Levy, Ian *(Blyth Valley)* (Con)
† McCarthy, Kerry *(Bristol East)* (Lab)
† Morrissey, Joy *(Beaconsfield)* (Con)
Nichols, Charlotte *(Warrington North)* (Lab)
† Owatemi, Taiwo *(Coventry North West)* (Lab)
† Shelbrooke, Alec *(Elmet and Rothwell)* (Con)
† Western, Andrew *(Stretford and Urmston)* (Lab)
† Whitehead, Dr Alan *(Southampton, Test)* (Lab)

Sarah Thatcher, Chris Watson, *Committee Clerks*

† attended the Committee

Public Bill Committee

Tuesday 13 June 2023

(Afternoon)

[Caroline Nokes *in the Chair*]

Energy Bill [*Lords*]

2 pm

The Chair: Before proceedings commence, may I indicate that I am very relaxed and if Members wish to remove their jackets, that is fine by me?

Dr Alan Whitehead (Southampton, Test) (Lab): On a point of order, Ms Nokes. It has come to my attention that an article published today by *Politico* says that the Secretary of State has

"signaled a coming U-turn on the government's plan to put a levy on household energy bills to support the nascent hydrogen gas sector in the U.K."

The article reports the Secretary of State as saying that

"while hydrogen was a 'great opportunity' for the U.K. it was 'unlikely' that the gas would be a major future source of domestic heating."

Pertinent to this Committee, he said that the Government did not want to see

"a situation where a levy is penalizing people who don't use it"

—almost the exact words that were discussed in Committee—and added that hydrogen would be

"a better bet for heavier industry"

and transport.

The Secretary of State was also reported as saying:

"We'll look at ways to create a levy or a financing that works for everybody as best as possible".

What I take from that is that the Government are actively looking at ways to undertake a form of levy different from the one we discussed in Committee recently. You will recall, Ms Nokes, that you had to cast the deciding vote on the relevant amendment. I am sorry that the Minister was unable to give us the information that the Secretary of State has given us in that article, in particular that the Government are actively looking at developing an alternative levy arrangement. It is more than conceivable that had that information been available to the Committee at the time, that vote may have had a different outcome. In particular, the convention of the Chairman casting the deciding vote in favour of the status quo, which you quite correctly did at that time in your position as Chair, Ms Nokes, could have meant that a vote could have been cast for a different status quo—that is, one in which the Government were actively looking

"at ways to create a levy or a financing that works for everybody as best as possible".

The original formulation in the Bill would therefore have fallen, in effect.

Ms Nokes, do you have any guidance on how we could rectify this problem? Might we invite the Government to table a new clause, which could be discussed at the end of our deliberations on the Bill? As Chair of the Committee, would you accept a new clause later in the Bill that might allow a debate to take place in the light of the information we now have before us? It is entirely in your hands to decide, Ms Nokes.

Alec Shelbrooke (Elmet and Rothwell) (Con): Further to that point of order, Ms Nokes. It is great to serve under your chairmanship. I am sure the hon. Member for Southampton, Test recalls the comments that I made in the fourth sitting when I abstained on the vote. *Hansard* will confirm the exact language that I used, but I believe I said that the Government had said to me that they were actively looking to table an amendment on Report. The article that has been produced today ties in with the comments that I made on the record a few sittings back, and I am relieved to hear that because it shows that we are moving forward. I do not believe there is any material change in what has happened because, as I said, I was told that the Government were actively looking at making an amendment on Report.

Dr Whitehead: Further to that point of order, Ms Nokes. I thank the right hon. Member for Elmet and Rothwell for his point of order, which related to mine. Far be it for me to downplay his importance in proceedings but, although he is quite right, the material difference is that I was quoting what the Secretary of State said, even though the right hon. Gentleman was clearly well informed in what he said to the Committee.

The Parliamentary Under-Secretary of State for Energy Security and Net Zero (Andrew Bowie): Further to that point of order, Ms Nokes. I said in Committee at the time, in response to contributions from the hon. Member for Southampton, Test and other right hon. and hon. Members, including on the Government Benches, that we are listening and carefully considering the situation regarding that specific clause. We are listening to all the concerns raised in Committee, on the Floor of the House on Second Reading and in the other place. I gave that commitment in this Committee and see nothing that contradicts that in what the Secretary of State said to *Politico* this morning.

The Chair: In response to Dr Whitehead, I want to confirm that what I cannot do as Chair of the Committee is go back in time. It is of course open to the Government to table further amendments in the later stages of the Bill, and I think we have had an indication from the Minister that that is potentially what might happen. I will say no more than that.

Clause 199

Power to amend licence conditions etc: load control

Amendment moved (this day): 160, in clause 199, page 170, line 3, at end insert—

"(f) regulate or prohibit the provision of load control in relation to appliances that are provided by high risk vendors."—*(Dr Whitehead.)*

The Chair: I remind the Committee that with this we are discussing the following:

Amendment 161, in clause 199, page 170, line 21, after "section" insert

"'high risk vendors' means vendors of appliances that pose potential or actual security and resilience risks to energy networks,".

Clause stand part.

Clauses 200 to 203 stand part.

That schedule 17 be the Seventeenth schedule to the Bill.

New clause 40—*Designated load controller—*

"(1) The Secretary of State may give a designated load controller direction only if the Secretary of State considers that—

(a) the direction is necessary in the interests of national security; and

(b) the requirement imposed by the direction are proportionate to what is sought to be achieved by the direction."

This new clause ensures that load controllers undergo national security checks to establish the nature of connections to potentially hostile actors and the threats they may pose.

Dr Whitehead: It seems rather a long time since I got through the first half of my remarks on this clause, but I am happy to continue. I will recapitulate briefly what is in the clause, and then we can move on to the next business.

Members will recall that, with amendments 160 and 161 and new clause 40—I appreciate that it will be voted on later in proceedings, not today—we are drawing attention to the possible risks attached to certain load controller activities relating to appliances that are under the authorisation of load controllers. As we have discussed, appliances that are used in smart energy networks may be able to undertake autonomous information and data transmission activities—and, indeed, activities relating to their own operation—independently of the consumer or the person who installed the device.

I previously drew attention to a company that secured a 6% or 7% share of the market in SMETS2 smart meters by putting its price 30% below the market average, thereby ensuring that energy companies have an interest in commissioning third parties to purchase and install that brand of meter. I pointed out that that company, Kaifa Technology, has very close links to—indeed, is controlled by—the state-owned China Electronics Corporation, which has been sanctioned by the United States regarding high-risk activities concerning data and electronics. Kaifa smart meters are not available for installation in the United States as a result of that sanction, yet in the UK we are apparently going ahead with no concerns whatsoever.

I am not saying that Kaifa smart meters are necessarily a source of the possible transfer-link use of data. I pointed out this morning that there are remote-switching facilities within smart meters, so it is possible that a smart meter could be switched off by an outside agency, or that its data could be transferred for not necessarily very good purposes. We have a pretty strong regulatory regime, which was recently strengthened by an information security Act. I am certainly not pointing the finger at Kaifa smart meters and saying that they are definitely not to be pursued, but we do not have any method in our current legislation—nor, indeed, in this Bill—that would enable scrutiny to be brought to bear on companies such as Kaifa in relation to national security and resilience, so that our questions can be answered. We should be as certain as possible that, should these things come to be a part of our smart energy network environment they do not, as it were, just slip in under the carpet. It should be done consciously through a review of what they mean as far as our energy security is concerned and, indeed, in respect of the security of smart energy networks.

Alec Shelbrooke: The hon. Gentleman is making an important point about energy security and the ability for outside players—certainly, if we consider this from a Chinese perspective—to take control. On energy security, does he share my concern about the fact that 98% of the materials used in renewable energy come directly out of China? Does that not in itself represent a similar security risk to the one he is outlining?

Dr Whitehead: I thank the right hon. Member for his intervention, but I do not quite share his implied view that everything that comes out of China needs to have that level of security clearance. There are concerns about the proportion of our solar panels that are made and manufactured in China, for example, and a concern that one particular country has effectively captured the market in solar panels. It would be a good idea for those purposes, not for the purposes I am talking about, to rectify that situation. China is also increasingly manufacturing components for wind turbines and various other renewables, so yes, it would be a very good idea to have a much more diverse supply chain for renewables. As far as China is concerned, that is an issue of commerce; I am talking about a potential issue of national security and resilience. Yes, it involves the same country, but there are different concerns and, indeed, concerns about other countries that may be in the same position as I outlined as far as their smart energy technology offerings are concerned.

2.15 pm

Our amendment 160 seeks, by the insertion of a new paragraph (f), to

"regulate or prohibit the provision of load control in relation to appliances that are provided by high risk vendors."

Amendment 161 defines—something we always should do in Bills—high-risk vendors as

"vendors of appliances that pose potential or actual security and resilience risks to energy networks".

That would enable the Department to take a proactive stance on our energy security and resilience, not necessarily to pronounce guilt on anybody but to review the situation with respect to our overall energy security and resilience. Indeed, new clause 40 sets out circumstances in which the Government may invoke those sorts of arrangements, and Members will see that they are exceptional circumstances. The new clause would give the Government permission to do that but only when very real concerns about national security and resilience are expressed in respect of the things that the Secretary of State might review.

This suite of amendments, and the new clause, would attach, as it were, that concern and its potential resolution to the otherwise very good things in the Bill as far as load control and smart energy networks are concerned. We have already discussed those things and said that we are generally happy with the clauses, but we think the

addition of a requirement to take account of particular circumstances would be a prudent and helpful thing to do at this juncture, particularly as we are in the process of completely overhauling all our smart energy facilities. A lot of equipment and new forms of load control will come in over the next few years, so it is really important to get it right at the outset.

Andrew Bowie: It is an absolute pleasure to serve once again under your chairmanship, Ms Nokes. I thank the hon. Member for Southampton, Test for his amendments; he is of course right to consider the security impacts of load control devices. We share his concern that grid security should be protected, which is why I am happy to reassure him that we have already spent considerable time preparing means to manage the risks associated with hostile actors and the transformation of our energy system.

The outcome of our recent consultation on delivering a smart and secure electricity system confirmed our intent to regulate all organisations that remotely control large electrical loads, using the Network and Information Systems Regulations 2018, or the NIS regulations. Under those regulations, load controllers would be required to take appropriate and proportionate security measures to manage risks to their network and information systems. They would also be required to report to the relevant authority incidents that disrupt the continuity of services and take action to rectify those incidents.

The application of the NIS regulations in the energy sector in Great Britain is based on outcome-focused principles, using the cyber assessment framework developed by the National Cyber Security Centre. This approach focuses on proportionate risk management. Moreover, the licensable activities established through the powers in the Bill could impose security requirements on those organisations within its scope. The licence would complement our separate enhancements to the NIS regulations made through the Bill.

Finally, the National Security and Investment Act 2021 includes a broad range of powers enabling the Secretary of State to intervene in transactions that give rise to national security concerns. That includes the power to scrutinise transactions based on national security risks for electricity purposes. That incorporates acquisition of ownership of load controllers, who control electricity on behalf of their customers. On that basis, a power to direct a load controller on national security grounds, which new clause 40 would introduce, would be excessive in comparison with the rest of the electricity sector.

The Secretary of State does not have powers to direct private companies outside of an energy emergency or crisis scenario. Establishing such a precedent may risk undermining the development of the sector, with little compensatory benefit in additional security protections. Given our existing measures to control foreign investment, and our intentions to increase the cyber-resilience of load controllers, an additional power for the Secretary of State to direct on national security grounds would be disproportionate.

Amendments 160 and 161 centre on alleviating any security risks posed at the device level in the provision of load control. Amendment 160 would give the Secretary of State the power to regulate or prohibit the provision of load control by or to appliances supplied by vendors that are deemed to be high risk. Amendment 161 would define that group as

"vendors of appliances that pose potential or actual security and resilience risks to energy networks".

I assure the hon. Member for Southampton, Test that measures to maintain the security of energy smart appliances are already in place. For example, the Electric Vehicles (Smart Charge Points) Regulations 2021, which are already in effect, require most private charge points for domestic and workplace use to meet minimum device-level cyber-security requirements. In addition, we committed through our response to the consultation on delivering a smart and secure electricity system to ensure that licences for the purpose of domestic and small non-domestic load control should include cyber-security requirements. We are confident that, taken together, the existing regime is sufficiently robust and that a further power to amend the licensing condition is unnecessary. I hope that with those reassurances the hon. Member will be able to withdraw his amendment.

Clause 199 sets out how the Secretary of State may modify conditions of licences granted under the Electricity Act 1989 and certain licences granted under the Gas Act 1986 for purposes of load control. It also provides powers for the Secretary of State to modify industry codes that are maintained under those licences for such purposes. More generally, the powers give the Secretary of State the flexibility to amend existing regulatory arrangements to reflect the introduction of a new licensing regime for load control. That new licensing regime will be introduced using the powers provided for in schedule 17.

Clause 200 sets out the process that the Secretary of State must follow before making changes to the conditions of licences, or documents maintained under them, for load control or related purposes, as set out in clause 199. The requirement to consult the parties listed in subsection (1) before making changes to licence conditions or documents maintained reflects standard practice in such cases and is consistent with other clauses. When modifying the conditions of a licence, the Secretary of State must specify the date on which the modification will take effect and publish the details of any modifications as soon as reasonably practicable after they are made.

Clause 201 establishes that the Secretary of State may make a modification to a standard condition of a licence using clause 199. It also establishes that that does not prevent any other part of the condition from continuing to be regarded as a standard condition. In essence, the power will allow the Secretary of State to make targeted changes to parts of a licence, without changing the overall status of that licence, or changing any other standard conditions to that licence. When the Secretary of State makes changes, the Gas and Electricity Markets Authority will amend future licences so that the amended standard conditions apply to future licensees. The authority will also publish the modification to the licence.

Clause 202 extends the regulatory provisions in relation to licensing that were established in the Gas Act and the Electricity Act to load control. The clause amends the Gas Act, the Electricity Act and the Utilities Act 2000 to apply several provisions of those Acts to the Secretary of State's exercise of regulatory powers to load control. More specifically, the clause will extend several of the

duties and obligations on GEMA within the Acts, particularly those in relation to protecting the interests of current and future consumers of electricity. GEMA would need to apply to the Secretary of State when exercising powers under clauses 195 to 197. Finally, clause 202 defines "gas licence" and "electricity licence".

Clause 203 introduces schedule 17, which makes provision for the regulation of the load control of energy smart appliances. Schedule 17 amends the Electricity Act, allowing the Secretary of State to make regulations that amend the list of activities subject to the licensing framework to include activities connected with load control. The schedule sets out the terms of that regulation-making power, including the extent to which the regulations can make consequential or transitional provisions.

Dr Whitehead: I heard what the Minister had to say about the amendments. I am pleased to hear that the Government are taking this seriously, and I hope that the measures that he suggests by which they will do so are sufficient for the purpose. I think that the Secretary of State in question for the National Security and Investment Act is the Chancellor and not the Secretary of State for Energy Security and Net Zero, so the option to do anything about it will be at one remove from his Department, although I am sure the Secretary of State would be able to communicate with the Chancellor were there serious issues.

On the understanding that the Government are going to pursue this as a serious issue as part of the development of energy smart networks, and will incorporate that view at the heart of the arrangements, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clauses 199 to 203 ordered to stand part of the Bill.

Schedule 17 agreed to.

Clause 204

National Warmer Homes and Businesses Action Plan

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

Andrew Bowie: The Government have carefully considered the effect of the clause, which was added on Report in the Lords. On 17 May, I tabled an amendment indicating my intention to oppose the clause. The Government do not consider that it would be effective in helping to deliver our commitments to improve the energy performance of buildings and to deliver net zero. However, I know that opinions among Committee members differ, and I look forward to the discussion that we may well be about to have.

The heat and buildings strategy, published in autumn 2021, sets out how the Government plan to reduce emissions from buildings and provides a clear long-term framework to enable industry to invest and deliver the transition to low-carbon heating. The Climate Change Committee already plays a key role, providing independent advice and scrutiny, and holding the Government accountable by publishing statutory progress reports to Parliament. Those are comprehensive overviews of the Government's progress. The clause would simply duplicate those efforts.

The Government have already set out our aim to phase out the installation of new and replacement natural gas boilers from 2035, in line with natural replacement cycles, while scaling up the installation of low-carbon heating. We recognise that there are many options with the potential to play an important role.

The Government remain committed to the aspiration for as many homes as possible to reach energy performance certificate band C by 2035 where cost-effective, affordable and practical, as set out in the clean growth strategy. There has been good progress towards achieving that aim, with 47% of homes in England having reached EPC band C, up from a measly 14% in 2010.

In our net zero growth plan and energy security plan, the Government announced that we will publish a consultation on options for upgrading houses in the owner-occupier sector by 2023. The content of the consultation has not yet been finalised, and we need to gather further evidence on the potential impacts of interventions in that sector. More time is needed to ensure thorough consideration of options in this area, and the clause would not allow that time.

We are also taking significant steps to encourage businesses to reduce their energy demand through voluntary schemes and regulations. In the 2020 energy White Paper, the Government proposed that the trajectory for the minimum energy-efficiency standard for non-domestic rented buildings should be EPC band B by April 2030, with an interim milestone of EPC band C by April 2027.

We are evaluating the responses to our consultation and will publish the Government response in due course. It is important that the impacts, such as those on business and supply chain readiness, can be fully considered. The clause would pre-empt the response and commit the Government to a timeframe for implementation different from the one that has been consulted on.

The Government have set an aspiration to introduce the future homes standard by 2025. We will publish a full technical consultation for it in 2023. We intend to introduce the necessary legislation in 2024, ahead of implementation in 2025.

I thank Baroness Hayman and Lord Foster of Bath in the other place for raising these matters.

2.30 pm

Dr Whitehead: We are in a curious position with this clause, which is a bit akin to my writing to the then Energy Minister to ask him to reintroduce the Bill as soon as possible. The Government at the time seemed not to want to introduce their own Bill as soon as possible, whereas we wanted them to do so. Clause 204 was introduced as an amendment in the House of Lords, so it has come to us as a substantive part of the Bill. We therefore find ourselves in the position—if I can persuade Opposition Members to vote accordingly—that we support the Bill as it stands and the Government apparently do not.

That is made more curious by what the clause actually says. With one small exception to do with dates, it takes things that the Government have already agreed to do—by the way, as far as I know, the future homes

[Dr Whitehead]

standard is not an aspiration; it is something the Government have already said will be mandatory by 2025—and says that the Secretary of State must produce an action plan for how they will be done. That seems to me a pretty good idea in any legislation, and in anything that anybody says will be the case in legislation. It is really not good enough to go around saying that things may well happen and that there might be legislation, and then not have any idea how that legislation can be properly discharged.

The clause puts that right by making sure that there is some kind of plan in place for these things to be achieved. It draws attention to the following targets: achieving

"100% of installations of relevant heating appliances and connections to relevant heat networks by 2035,"

which is in the energy security strategy; achieving

"EPC band C by 2035 in all UK homes where practical, cost effective and affordable,"

to which the clean growth strategy and the heat and buildings strategy contain specific commitments; achieving

"EPC band B by 2028 in all non-domestic properties"—

that is in a consultation that has already taken place, and the Government intend to produce either regulations or legislation to ensure that it happens, as I have mentioned—and introducing

"Future Homes Standard for all new builds in England by 2025,"

which the Government have already said they want to do.

In a sense, the clause is a bit of a break with how things have been done before, but in another sense it is not, because it just recapitulates things that already exist, puts them in order and states that we need some form of plan to ensure that they happen. Frankly, I am really surprised that the Government have decided that they want to knock the clause out. It is not superfluous. In fact, it supports the Government in delivering their plans and ensures that we all know where we stand.

That brings me to the purpose of this Committee. The amendment that the Government tabled to remove the clause has not been selected, which means that the only way for them to achieve their desired outcome is for the Committee to vote against clause stand part. That puts Committee members in a different position from that of voting on an amendment.

The likelihood of anybody having a go at any member of this Committee for voting in favour of this Bill is remote. Therefore, I would have thought that Committee members should be allowed to exercise their own judgment as to whether they support or oppose the clause. By asking us to vote against clause stand part, the Government are in effect asking the Committee to vote against itself. If members on both sides of the Committee support the Government's targets and aspirations—and I would have thought that everybody does—and if they think that it would be a good idea to encapsulate them in an action plan, I do not think that they should be sanctioned for voting in favour of that and, in a sense, securing Government policy.

That is code for saying that no one should be pulled up by the Whips—although perhaps the Whips have a different idea—if they vote in favour of the Bill. I assume, although I do not know this yet, that every Opposition member of the Committee will vote to retain the clause, and I would hope that every Government member will also—

The Chair: Order. May I gently suggest, Dr Whitehead, that you have moved away from the substance of the clause and are somewhat straying into whipping arrangements?

Dr Whitehead: As always, you are right, Ms Nokes, so I will temper my remarks. I hope that common sense will prevail and that a thumping majority will ensure that the clause is retained so that the Bill can progress to its next stage intact. The clause is important to Government policy, so it should not be taken out and disabled in the way suggested.

Olivia Blake (Sheffield, Hallam) (Lab): It is a pleasure to serve under your chairship, Ms Nokes. I rise to speak in defence of clause 204, and I agree with the shadow Minister, my hon. Friend the Member for Southampton, Test, that the Government have suggested an interesting tactic.

Our housing stock has been described as the least energy-efficient in Europe. That means we are the least prepared to absorb future price hikes, like those experienced in recent years, and to address future temperature changes. In England alone, more than 13 million homes—59% of them—are below a C rating on the energy performance certificate standard. As a result, housing is one of the main sources of carbon emissions in the UK, accounting for around 20% of total emissions.

We should be making massive efforts and strides to improve in this policy area, yet energy efficiency programmes have been cut and home insulation rates have plummeted over the past decade. In 2013, the coalition cut energy efficiency programmes, after which insulation rates fell by 92%. The number of energy efficiency insulations peaked at 2.3 million in 2012, yet fewer than 100,000 upgrades were installed in 2021. That is rather pathetic, it has to be said.

The Bill and clause 204 in particular provide a golden opportunity to put in place the financial structures and programme to give the necessary upgrades to the 19 million homes in our country that are below band C on the EPC scale. Clearly, that is what a Labour Government would do.

Mark Jenkinson (Workington) (Con): Has the hon. Lady heard of our ECO4 scheme?

Olivia Blake: Yes.

Alan Brown (Kilmarnock and Loudoun) (SNP): Has the hon. Lady heard of the issues with the ECO4 scheme? The energy companies have not met the target number of properties because it needs to be rewritten.

Olivia Blake: Those are the exact problems. In recent years a number of Government schemes have either failed because they have not had the workforce to deliver them, or experienced challenges because people have been drawn into other roles, particularly in the

building sector and in relation to cladding issues and so on. That is exactly why the Opposition would be very pleased if the clause were protected. We need that action plan. Delivery is only worth something when it happens. We cannot just have targets that we repeatedly continue to miss. It would be exceedingly challenging to argue to the public that we should not prioritise getting their bills down by £1,000 a year or come up with an action plan to deliver that.

Katherine Fletcher (South Ribble) (Con): Yes, the British public would experience significant benefits through bill reductions as a result of insulating their homes, but who is the hon. Lady suggesting should pay for the intervention that would produce that benefit? It would be a significant scheme, especially given that 30% of the housing stock is really old. Who would foot that bill?

Olivia Blake: Moving away from this Bill, Labour has a fully costed plan for achieving that and it is targeted at the 19 million homes.

Andrew Western (Stretford and Urmston) (Lab): Does my hon. Friend agree that although the Government are reticent about placing this clause on the statute book, surely the fact that they are Government targets means the money will be found anyway?

Olivia Blake: Absolutely, and I will come to that point. This issue is so significant: it is important that we find the funding for these sorts of interventions because almost 9,000 neighbourhoods in England and Wales have very low incomes but higher than average energy costs because of poor insulation. That requires Government action, and I fully support Labour's plans, which I believe would cost £12 billion a year—I might be wrong about that.

Kerry McCarthy (Bristol East) (Lab): It is £6 billion.

2.45 pm

Olivia Blake: Sorry, £6 billion—I have doubled my ambition. That is a large amount of money, but it would be very welcome in meeting the challenges we face.

I am not alone in my concerns about delivery in this space. In January, the Environmental Audit Committee rightly said that we need a national war mobilisation to improve energy efficiency and reduce carbon. The public are crying out for action to address fuel poverty and household emissions: 80% of respondents to National Energy Action's polling supported funding retrofits for those on low incomes and, according to the New Economics Foundation, 64% of Conservative voters and 65% of people in the north support a national retrofitting taskforce.

Without the clause, the Bill will be another missed opportunity to tackle the cost of living crisis, to bring forward the emergency energy efficiency measures we need, and to start a national 10-year mission for home insulation. Delivery is important, and without an action plan I am not clear how those millions of homes, and the millions of people living in them, will benefit from better energy efficiency. We need to get on top of our carbon emissions and we need to ensure that housing is not forgotten, given its vast contribution to emissions.

It would be a mistake for the Government to remove the clause. All it is asking for is a warmer homes and a business action plan to set out how His Majesty's Government intend to deliver energy efficiency. It is important to keep that clear ask in the Bill. I will be deeply regretful if the Government do not support the clause, because it will be another missed opportunity.

Andrew Western: It is a pleasure to serve under your chairship, Ms Nokes. At the risk of repetition, I too rise to defend clause 204. It is interesting that, in my first Bill Committee, we appear to be having something of a groundhog day moment. When we had a similar discussion about low-carbon heating last week, the Minister stood up and gave us various assurances that these things would be done, while resisting with all his might any attempts to compel the Government to do that in law.

It is incredibly challenging when the Minister says that superb progress is being made on these issues and that we have gone up to 40% over the past 13 years. In fact, on current projections we have something in the region of 200 years to go to upgrade the energy efficiency of the UK's draughty housing stock. National Energy Action says that progress on energy efficiency is too slow, and the UK Business Council for Sustainable Development has calculated that the pace of the Government's recently announced scheme would take almost 200 years to reach homes in need of upgrade. It is clear why the Opposition are so keen to see the targets in the Bill; clause 204 is therefore so important.

I warmly welcomed the addition of the clause in the other place because although the Minister talks about the energy White Paper, the net-zero strategy, the heat and building strategy that was published alongside it, and the future homes standard, none of those things actually compel the Government to act. That is the problem. The Government can miss their targets time and again because there is nothing that forces them to take the action needed. Warm words will not provide warm homes—it is that simple. This will not get us where we need to go unless it is on the statute book. We know that because we are already missing the targets.

Bim Afolami (Hitchin and Harpenden) (Con): I respect the hon. Gentleman greatly. Obviously, it is a matter of political debate whether he accepts the warm words of the Conservative party—that is a legitimate, democratic debate that we should have—but what exactly does he propose would be the remedy for his not trusting the Minister's word? Ultimately, that is his political point. He is entitled to make that point, and he has made it clearly, but trust cannot be legislated for, so I gently suggest that he accept that some things will always be a matter of political debate. I trust the Minister's word. The hon. Gentleman does not have to do so, but that is ultimately what we are in politics to do—to argue and debate these things.

Andrew Western: I thank the hon. Gentleman for his intervention, but whereas trust cannot be legislated for, targets can. It would be a very simple remedy to place the targets in the Bill in order to remove any question of trust, and to give the industry and homeowners struggling under the weight of high energy bills certainty that the Government are taking the action required. In fact, I do not see this as a question of trust: it is a practical step.

[Andrew Western]

Indeed, if Conservative Members are so satisfied that the Government will take the action needed to meet the targets, why be fearful of their inclusion? If they have no issue with hitting a target, why not place it in the Bill? That is the fundamental point.

By not including the targets they have set, it opens up the argument that the Government do not feel they will meet them. In making that argument, I remind colleagues of the words of the National Infrastructure Commission, which says:

"Government is not on track to deliver its commitments on heat or energy efficiency…A concrete plan"—

which is what the clause would require the Secretary of State to introduce within six months of the Bill becoming an Act—

"for reducing energy demand is required, with a particular focus on driving action in homes and facilitating the investment needed."

Katherine Fletcher: I share the hon. Gentleman's zeal and passion for insulating the UK's homes, but he has referred again and again to a concrete plan and investment, and I cannot believe that either of those things come with a price tag of zero. Given that it is important to be fiscally responsible, will he outline how he plans to fund the implementation that he wants to write into the Bill?

Andrew Western: The same applies to the Government's targets. The fact is that we are being asked to take the Minister's word that the Government will deliver on the targets, so there must already be a plan to do so. There must already be the funding to deliver, so what is the problem with enshrining this in law? That is the point we are advancing. Either the Government are putting the targets forward in a performative way, with no hope, plan or funding to deliver on them, or they are so assured that the targets will be achieved that there is no need for them to be placed in legislation—it is one or the other. Either way, I am sure that Conservative Members would want to satisfy themselves that the funding is in place; otherwise, the targets are a total waste of time anyway.

When we hear from the Minister, I would be grateful to know where the funding will come from to achieve the targets. Indeed, can we stand by the targets in any way, shape or form? That is the central point that I do not understand, because if the Government are going to deliver on this, what is the problem? If they are not going to deliver, all Committee members should be seeking to hold the Government's feet to the fire.

Alan Brown: It is a pleasure to serve under your chairmanship, Ms Nokes. I was not going to speak, but the more this debate has gone on, the more confused I have got, so I thought I may as well throw some words out there anyway. Obviously, it is the job of the Opposition to hold the Government to account, but I find it bizarre that it now seems to be the job of the Opposition to make the Government stand by their own targets.

I understand that the clause was inserted in the other place. The Government keep telling us that the other place is very important and that we should rely on the expertise in the Lords, which is supposed to be a revising Chamber. That is ironic, because it was the Lords who brought forward the Bill in the first place. If we have to trust their ability and that it is a revising Chamber, it would seem logical to agree with the revisions that the Lords make. Otherwise, it undermines the point of having the Lords in the first place—which takes us to the position of the SNP: we would abolish it—but the Government tell us that it is an important place. We have heard only this week about how many people are scrambling to get into the Lords and are disappointed not to get in. Then we talk about trust and not being about to legislate for trust. Ironically, Nadine Dorries seemed to be saying yesterday that there is a real lack of trust in this Government.

The Chair: Order. I gently suggest that we need to be debating this clause, not the aspirations of some former Members.

Alan Brown: I know; I was just linking to where the clause came from and wanted to put these matters out there.

I do support the clause, although the future homes standard is effectively only for England. I have already raised my concerns that the Government are not moving fast enough, because they are still at the consultation stage. Subsection 1(d) is really important. The Government should publish an action plan showing how they are going to bring forward the future homes standard. That will give certainty to developers. They need to plan ahead for the technical requirements that they need to apply to new housing developments. It is important that a look-ahead is given to developers as soon as possible.

In terms of all the other targets, given that some of them go beyond the life of this Government anyway, I find it hard to understand why the Government are so reticent to accept the targets for energy efficiency installs. We can argue about whether Labour did more installs than are currently happening in terms of the number of energy efficiency measures, but the most important thing is the upgrading to EPC band C, to which the clause refers.

The Government can talk about the progress they have made in getting properties to EPC band C, but it is still only hovering around the 50% bracket, and that is after 12 years in government. If they are going to hit the target by 2035, there is no doubt that much more structured delivery plans will have to be put in place. Clearly, the properties that we can tackle today are the ones that are most easy to upgrade. It is going to get harder and harder the further into the programme we go. It is important that the Government are held to account on their targets and that they come forward and say how they are going to meet those targets.

Finally, on ironies, I agree with what the Labour party has been saying on energy efficiency, but this has come just after it has done a U-turn on the green new deal and the green investment it promised us all. I will leave it there, but there are a lot of contradictions on both sides, I would say.

Andrew Bowie: It is a pleasure to respond to the debate. There is some confusion at the minute. Indeed, I was slightly confused at the beginning of the debate, given that the hon. Member for Southampton, Test seemed at one stage to be whipping on behalf of the

Government and giving advice to Conservative Members—I urge all colleagues on this side not to listen to his words. If I am not mistaken, he was suggesting that the clause we are against was tabled by the Government in the other place; Baroness Hayman is a Cross-Bench peer and Lord Foster of Bath is a Liberal Democrat peer.

Dr Whitehead: For clarity, I did not say that it was introduced by the Government, nor would I say that, because it certainly was not. The point I was trying to make was that it is now a part of the Bill, not that it was introduced by the Government in the other place.

Andrew Bowie: I am glad that is clarified for the Committee. For further clarification, we are seeking to revise the Bill back to its original state as drafted and remove an amendment that was made by Cross-Bench and Liberal Democrat Members of the House of Lords. I believe that is a relatively regular occurrence for the House of Commons. There should be no confusion on that.

Again, as they were when we were talking about smart meters, the Opposition are such a glass half-empty kind of party. We have made huge progress in the energy efficiency of UK homes. I understand why the Opposition do not want to speak about this: when they left office only 14% of homes had an EPC grading of course; now, after 13 years of Conservative Government, the proportion stands at 47%, and we are driving forward to get it over 50% soon. As for the suggestion that we do not have a plan to move forward, the Government do have a plan. We have set out a heat and buildings strategy and we have announced further measures in the net zero growth plan, which was announced just recently.

3 pm

Alan Brown: I thank the Minister for giving way again. In this clause that the Government are trying to take out, there is reference to upgrading homes—it is a condition that the Government must abide by—

"where practical, cost effective and affordable".

Can he provide a definition of what is practical, cost-effective and affordable? I could not get that out of the previous Secretary of State for Business, Energy and Industrial Strategy.

Andrew Bowie: What is practical and affordable will obviously be determined by individual circumstances and the market conditions at the time. Let me also say that I would have welcomed any acknowledgement from the Scottish National party, who are in government in Scotland, that we are working together across these islands to improve insulation and that we have made great progress as an island nation in getting towards 50% of all homes being rated EPC level C or above.

As I was just going on to conclude, we will take no lectures from the Labour party on the costings of projects, given that just last week it had to announce a staggering U-turn on its £28 billion investment in green technology and jobs, and it is yet to come up with any answer about how it will fund the £100 billion of pledges that it has announced thus far.

In terms of costings, a plan, moving this country forward, delivering on insulation and delivering on this entire green strategy, I have much faith in the Government's position and in what we are seeking to do here today. That is why I advise all my colleagues to vote with the Government this afternoon.

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

The Committee divided: Ayes 6, Noes 9.

Division No. 5]

AYES

Blake, Olivia	Owatemi, Taiwo
Brown, Alan	Western, Andrew
McCarthy, Kerry	Whitehead, Dr Alan

NOES

Afolami, Bim	Jenkinson, Mark
Bowie, Andrew	Levy, Ian
Clarkson, Chris	Morrissey, Joy
Fletcher, Katherine	Shelbrooke, rh Alec
Gideon, Jo	

Question accordingly negatived.

Clause 204 disagreed to.

Clause 205

POWER TO MAKE ENERGY PERFORMANCE REGULATIONS

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

The Chair: With this it will be convenient to discuss the following:

Clauses 206 to 208 stand part.

New clause 41—*Energy performance regulations relating to existing premises—*

"(1) Within six months of the date on which this Act is passed the Secretary of State must make regulations—

(a) amending the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (S.I. 2015/962) to require that, subject to subsection (2), all tenancies have an energy performance certificate (EPC) of at least Band C by 31 December 2028; and

(b) amending the Energy Efficiency (Private Rented Property) (England and Wales) (Amendment) Regulations 2019 (S.I. 2019/595) to raise "the cost cap" to £10,000.

(2) Exemptions to subsection (1) apply where—

(a) the occupier of any premises whose permission is needed to carry out works refuses to give such permission;

(b) it is not technically feasible to improve the energy performance of the premises to the level of EPC Band C; and

(c) another exemption specified in the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 has been registered in the PRS Exemptions Register.

(3) Within six months of the date on which this Act is passed the Secretary of State must make regulations—

(a) amending the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (S.I. 2015/962) to enable Local Authorities to give notice to landlords that they wish to inspect a property, requesting permissions from landlords and any tenants in situ at the time to carry out an inspection at an agreed time;

(b) to expand the scope of the current PRS Exemptions Register and redesign it as a property compliance and exemptions database;

(c) to require a post-improvement EPC to be undertaken to demonstrate compliance;

(d) to require a valid EPC be in place at all times while a property is let; and

(e) to raise the maximum total of financial penalties to be imposed by a Local Authority on a landlord of a domestic PRS property in relation to the same breach and for the same property to £30,000 per property and per breach of the PRS Regulations.

(4) The Secretary of State may make regulations to—

(a) enable tenants in the private rented sector to request that energy performance improvements are carried out where a property is in breach of the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015; and

(b) make provision for a compensation mechanism where a tenant is paying higher energy bills as a result of a property not meeting the required standard."

This new clause requires the Secretary of State to strengthen minimum energy efficiency standards in the private rented sector, expands the compliance regime available to local authorities, and gives the Secretary of State the power to create a compensation mechanism for tenants adversely affected by non-compliance. These measures are derived from the government's preferred policy option in the 2020 "Improving the energy performance of privately rented homes" consultation.

New clause 42—*Review of the "Improving Energy Performance Certificates: action plan"*—

"(1) Within 12 months of the date on which this Act is passed, the Secretary of State must conduct a review of the "Improving Energy Performance Certificates: action plan" that sets out how new technologies can improve the energy usage and efficiency of premises.

(2) Such a review must include analysis of the energy efficiency benefits of energy optimisation technologies and bi-directional charging from vehicles to premises.

(3) Where any energy efficiency benefits are identified by this review, the Secretary of State must make provision under section 207(1)(b) for recommendations to be made about the improvement of the energy efficiency and usage of new and existing premises."

This new clause would oblige the Secretary of State to update its review of the EPC rating system; for this review to consider bi-directional charging; and for the Secretary of State to then use the existing power under section 207 to promote these improvements.

Andrew Bowie: Clause 205 will provide the Secretary of State with the power to make changes to the existing Energy Performance of Buildings (England and Wales) Regulations 2012 to ensure that they are fit for purpose and contribute effectively to improving the energy efficiency of premises. Following the UK's withdrawal from the European Union, it is necessary to create new primary powers to permit changes to be made to the 2012 regulations, as that power was lost with the repeal of the European Communities Act 1972.

Clause 206 will enable the Secretary of State to make changes to the Energy Performance of Buildings (England and Wales) Regulations in relation to new premises. That includes new premises in the process of being constructed or changed, as well as new premises whose construction or adaption is planned but has yet to be started. The changes will ensure that the anticipated energy usage and energy efficiency of new premises are taken account of.

Clause 207 enables us to ensure that we have an effective enforcement regime underpinning the energy performance of premises policy by amending existing requirements. We will review the current enforcement regime to ensure that there are sufficient enforcement options in place, with a view to improving compliance with the energy performance of premises framework. The existing regime includes civil penalties, and the clause enables us to amend those penalties or provide for new civil penalties by enforcement authorities up to a maximum of £15,000.

Finally, clause 208 provides that the regulations made under part 9 may amend, repeal or revoke provisions made in primary legislation and that this must be done through the affirmative resolution procedure. It also provides that the affirmative resolution procedure will be used if new criminal offences or civil penalties are created. This will ensure that there is parliamentary oversight of the uses of the power. I commend the clauses to the Committee.

Dr Whitehead: Clause 205 is the beginning of the part of the Bill on the energy performance of properties. I must admit that I thought for a moment there was going to be a spectacular U-turn on the previous clause, but I was sadly disappointed when the Minister decided which way he was really going to vote. I fear the same result in respect of this part of the Bill.

Let me speak briefly to our new clauses 41 and 42, which would considerably strengthen the Bill's provisions on the energy performance of premises. They relate specifically to energy performance regulations for existing premises. Rather like clause 204, which is now not in the Bill but contained previous Government aspirations and claims in respect of outcomes, new clause 41 relates to things the Government have already said about energy performance certificates for properties in the private rented sector, about what should happen in respect of the improvement of properties in that sector to bring them up to an appropriate band, and about the amount specified in legislation that private landlords should spend on getting their properties up to that level before they are exempted from having to make further improvements.

The really important bit in new clause 41 would require the Secretary of State to make regulations

"amending the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (S.I. 2015/962) to require that, subject to subsection (2)"—

which contains exemptions—

"all tenancies have an energy performance certificate (EPC) of at least Band C by 31 December 2028".

The new clause would also require the Secretary of State to make regulations

"amending the Energy Efficiency (Private Rented Property) (England and Wales) (Amendment) Regulations 2019"—

which Members will recall introduced a £3,500 cap on the cost to landlords of achieving band E—to raise to £10,000 the amount that should be invested before landlords are exempt.

Those are reasonably ambitious outcomes for the private rented sector, but they were completely presaged by the Government's previous proposals, which we supported at the time. Specifically, in September 2020 they consulted on improving the energy performance of privately rented homes in England and Wales. The

consultation had proposed outcomes at its heart, but—well I never—there has not yet been a Government response. Only three years have gone by. We hope that there may be a response one day fairly soon, so that progress can be made.

The proposed outcome of the consultation—the favoured option at the time—was exactly as set out in subsection (1) of new clause 41: raising the energy performance standard of private rented properties to band C, a phased trajectory to get there by 2028, and a £10,000 average per-property spend under a £10,000 cap. Everything in the new clause is already there in what the Government said they would do in respect of private rented sector energy efficiency. The only difference is that the Government have not actually done anything about it.

I recently looked up the reaction to the proposals, and a number of commentators and advisers are saying, "Well, landlords, you perhaps ought to get yourselves steeled up to the idea that your properties, to be lettable in future years, will have to be band C, and that you may have to spend up to £10,000 to make your properties lettable at that point." By the way, that seems a relatively small amount to have to spend, bearing in mind that this is essentially a question whether a property is of merchantable quality. In any other area of commerce, if it were not of merchantable quality, it would not be sold. These measures, if implemented, would ensure that properties were merchantable for letting purposes as far as efficiency standards are concerned, and landlords would be required to spend that relatively small amount before they were exempted and to use every endeavour to get their properties up to that point.

Mark Jenkinson: In my constituency of Workington, I have some wonderful conservation areas with lovely old stone-built houses. A Labour council will not allow the replacement of single-glazed windows with uPVC double glazing, for example, which we know works well for energy efficiency. Why does the hon. Gentleman think that they would not be of merchantable quality?

Dr Whitehead: If the hon. Member cares to go back to the consultation in 2020, he will see that there are certain exemptions, depending on things such as conservation areas, from getting properties up to the standard that we are discussing provided that other things are in place. I have no particular insight into the workings of the hon. Member's local authority, but it may be that something like that is at the heart of those concerns.

The point is that in general, we would certainly support—and we did at the time—what is set out in the consultation and the Government's declaration of policy intent. One area where energy efficiency needs to move forward quite rapidly is the private rented sector; after all, that is the housing sector with the worst energy efficiency record. It is just not good enough to stand by the idea that properties in band E, which is a very low energy efficiency band, should be at that level any longer—certainly not in the 2020s, when we are trying to get all the properties that we can up to a standard fit for 2050.

3.15 pm

We are trying to ensure a national roll-out of energy efficiency measures so that properties are as efficient as they can be. That way, we will not need to go round and retrofit them again coming up to 2050. We will already have in place the future homes standard and so on, which will ensure that new builds all go that way, so why should private rented properties be such an apparent exception?

Surely, the people running private rented properties have the same duty as the rest of us to ensure that their properties are as energy efficient as possible. I am sure all Members have had people coming to their constituency surgeries to complain about the dreadful conditions in their private rented property and ask how someone can have let that property out to them and apparently got away with the extremely low energy efficiency rating. Constituents have been told, just as I have, that not much can be done about it right now. Properties can be let out by private landlords in that condition, and with present arrangements, only a very small increase in energy efficiency is required to allow landlords to continue to let out properties, while everybody else—we hope—will have sped ahead to get properties really high up the EPC scale. It would be an enormous anomaly, and indeed quite a scandal, if landlords continued to rent out properties with a very low EPC level.

The aim of new clause 41 is to implement measures to ensure that the consultation proposals are put into law. I do not know why the Government have spent so long responding to the consultation. As I said, the market generally thinks that what was consulted on is what will happen, and it is telling landlords to steel up for that. However, as yet, there is no evidence that they will actually have to do that, because no one is doing anything about turning the ambitions into fact.

We are well beyond the second anniversary of the consultation's closing, with no sign of the Government coming up with a plan to do what they said they wanted to do in the first place. New clause 41 would do the Government a great favour, frankly, by putting the ambition into legislation forthwith and ensuring that everyone gets on with it. In our hearts, that is what we all want to happen, notwithstanding how we might vote today.

New clause 42 would have a slightly more limited but nevertheless important effect. It would ensure that a property's energy performance certificate—circumstances are changing substantially in this respect—reflects the extent to which it can operate on a two-way basis, exporting electricity as well as importing it.

In the not too distant future, many or most houses will have within their curtilage, or close to it, methods to charge electric vehicles located near their property. That should be the signal for the property to have an EPC rating that reflects the fact that it can be part of an energy generating arrangement. Under proposed schemes, when the homeowner is not using their electric vehicle, the property could use it as a mini power station, exporting electricity for the good of the grid, and for the balancing purposes of the grid, but without detriment to the overall charging arrangements of the vehicle.

At present, such arrangements effectively depresses the potential energy performance certificate outcome of a property. New clause 42 suggests an action plan to improve energy performance certificates, stating:

"Within 12 months of the date on which this is Act is passed, the Secretary of State"—

this new clause gives them a nice long time compared with other new clauses—

"must conduct a review…that sets out how new technologies can improve the energy usage and efficiency of premises…Such a review must include analysis of the energy efficiency benefits of energy optimisation technologies and bi-directional charging from vehicles to premises…Where any energy efficiency benefits are identified by this review, the Secretary of State must make provision…for recommendations to be made about the improvement of the energy efficiency and usage of new and existing premises."

In other words, the Secretary of State must bring into the mainstream new technologies relating to energy performance certificate measures, and bring those EPCs up to date with what we know is now happening with energy efficiency in the housing market. The two-way process is increasingly becoming part of the household energy landscape.

I hope that new clauses 41 and 42 are helpful. Unfortunately, after the previous debate, I do not have any great faith that the Government are about to leap on them and put them into law. At the very least, I hope they highlight the fact that there is a great deal of huff and puff and not much blowing the house down. That was a badly strained metaphor, I know, but it would be a rather good idea if we went a bit further than that and did something about the legislative arrangements that will have to follow when the new ideas for better energy efficiency in homes are put forward.

These are two particular instances—in the private rented sector and two-way energy production at properties—but as we have seen the Government have effectively set out targets, ideas and aspirations in a number of other areas, and while they have not necessarily done nothing, they have not done things commensurate with the ambition. This is one case where that certainly happened in the not-too-distant past. I hope that the Committee will accept the new clauses. I appreciate that they will not be voted on until the end of our proceedings, but I hope that when we do so Members, and possibly even the Government, will decide that this is something that they would like to put in the Bill after all, and vote accordingly.

Alec Shelbrooke: Further to my point of order this morning about declarations of interest, I have spoken to the Commons Registrar who has informed that because I personally make no financial gain from property that my wife owns it does not have to be in the register; however, I have to declare an interest at this moment that my family has a substantial property portfolio. The comments that I am about to make, however, are based on the concerns of landlords, estate agents and letting agents in my constituency.

One of the problems is if we start to over-legislate at this time. The hon. Member for Southampton, Test pointed out that, importantly, the Government are still consulting on the report. We are in danger of focusing purely on the one area of energy efficiency in the private rented sector, and in effect making landlords do things that the owner of a private property does not have to do, with the cost being passed on to tenants. Subsection (3)(a) of new clause 41 would

"enable Local Authorities to give notice to landlords that they wish to inspect a property, requesting permissions from landlords and any tenants in situ at the time to carry out an inspection at an agreed time".

In other words, that would enable constant inspections and attempts to move forward with insulation.

We have said throughout that we have to take the public with us on this agenda. In some areas, we move too quickly to legislate on something that the Government are consulting on and that has not been properly thought through. Several times, my hon. Friends have intervened to ask where the money is coming from to do such works. At the moment, as I look at the Bill and the £10,000 cap, it is coming from the tenant. At a time when there is a political argument on both sides of the House about how people can get on the housing ladder, increasing their rents even further because the landlord has to do something that people in the private sector do not have to do will not help that cause.

There is no doubt that energy efficiency will reduce the amount of fuel that has to be used to heat a home. That is a scientific fact. We hear that it could save £1,000 a year, but that assumes that everything stays level and that we do not have to put another levy on electricity bills. I remind colleagues that when nuclear power came along, it was said that it would be so cheap to produce that we would not be able to meter it. That turned out to be far from the truth.

Alan Brown: Hear, hear.

Alec Shelbrooke: There you go, praise from the other side.

One of the points made by the hon. Member for Southampton, Test was about getting in and retrofitting now, and not having to do it again in 2050. New clause 42(1) states:

"Within 12 months of the date on which this Act is passed, the Secretary of State must conduct a review of the "Improving Energy Performance Certificates: action plan" that sets out how new technologies can improve the energy usage and efficiency of premises."

I have no doubt of the intent with which that was written, but it can be interpreted very differently. It could mean that as time goes forward, the regulations will change and those with band C EPCs might now be told to come to a level that was not required at this stage of retrofitting.

3.30 pm

One thing that I am hearing from estate agents in my constituency—of course, there is another side to what is going on with rising interest rates—is that landlords are dumping private property and getting out of the market. The hon. Member for Southampton, Test said—I have the exact words—that there was a steel within the industry of people moving towards this because they thought the regulations were coming. What it has actually done is make a lot of people think, "I am not spending £10,000 on this property. I am never going to get an £800 a month increase in rent over a year to pay for it, so I will dump the property."

The whole point of waiting on a consultation is that we know that Governments can take a long time. The hon. Gentleman, as a reasonable man, will recognise that there have been many buffeting winds since 2020, when the report was produced, and I hope that attention will go back to those issues. I am sure that my hon. Friend the Minister will make the point that the Government have every intention of moving forward

on these bills, but to take the report at this stage and bind it into law in the Bill would be, I think, a great problem.

The hon. Gentleman also commented about constituents who come to us and talk about the energy problems in their homes. I do not know how many colleagues have had constituents come to them with the problems they have had since heat pumps were fitted. A lot of grants are available for heat pumps, so they are out there. If they are not fitted alongside the system being upgraded, they do not work, and I have constituents come to me to say that. The pipe network is not big enough for the pressure; it is simple fluid mechanics. That is another example of a rush into a particular area without the technical back-up. People end up stuck—in this case, it is a council property, and people are stuck on the question of who will repair the system, because the gas-fired boiler cannot be put back in. It is another example of running too fast in a particular direction.

My hon. Friend the Minister has my support in not backing new clauses 41 and 42, because they are acting in haste. That haste could have serious unforeseen circumstances for those using the private rented sector for their accommodation. If we drive more and more landlords out of the business, that sector will decrease and there will be competition for rent because more people will be looking for it. That will come on top of the rent increases caused by doing this retrofitting. The report still needs a lot of careful consideration by the Government before it comes into force.

I am sure that my hon. Friend the Minister will react to some of those comments, but he has my support.

Jo Gideon (Stoke-on-Trent Central) (Con): On a point of order, Ms Nokes. I want to seek a little clarification after my right hon. Friend the Member for Elmet and Rothwell declared his interest. I am not planning to speak on the new clause, but before we vote should I make members of the Committee aware of my entry in the Register of Members' Financial Interests as an owner of a rental property?

The Chair: I think that via that point of order you have made Members aware of your interests. As Mr Shelbrooke indicated, he sought advice from the registrar of interests and I always find it best to be cautious and over-declare rather than under-declare.

Andrew Bowie: I thank the hon. Member for Southampton, Test and my right hon. Friend the Member for Elmet and Rothwell for their comments on the new clauses. In answer to the question of why we have not produced a full response to the consultation, we are committed to raising standards in the sector in line with our ambition, set out in the clean growth strategy, and we will publish a summary of responses to the consultation on improving standards in the private rental sector this year.

Dr Whitehead: This year?

Andrew Bowie: Yes, this year.

We are continuing to refine the policy design to ensure that the costs and circumstances relating to energy efficiency improvements are fair and proportionate for landlords and tenants, as my right hon. Friend the Member for Elmet and Rothwell pointed out. The economic headwinds that have been buffeting us, and the changing circumstances in the private rented sector in particular, have made it difficult at the minute, but as I said, we will be publishing our response—a summary of responses, anyway—this year.

New clause 41 seeks to require the Secretary of State to make regulations in relation to energy performance in existing rented premises. His Majesty's Government agree on the need to improve the energy efficiency of buildings to lower energy bills and deliver carbon savings to meet our net zero and fuel poverty targets. Indeed, this is reflected in the Government consultation on proposals to raise the minimum energy efficiency standard for privately rented homes. Under the Energy Act 2011, the Secretary of State already has powers to amend the private rented sector regulations in order to raise the minimum energy efficiency standards and set the dates by which landlords must comply with the new regulations. The new clause would not allow us to reflect the valuable feedback that the Government received from the consultations in the final policy design, which is essential to ensure that the final policy design is fair and proportionate for landlords and tenants. As I have said, the Government have committed to publishing the summary of responses by the end of this year.

Let me turn to new clause 42. In September 2020, we published the energy performance certificate action plan, in order to ensure that consumers can trust energy performance certificates and to make sure that certificates are accurate and reliable. Certain actions are expected to require regulatory change under the new powers to be implemented. The energy performance certificate is designed to rate the energy performance of a building, as considered as an asset that passes from one occupant to another during sale or rental.

As those occupants may or may not possess energy optimisation technologies or an electric vehicle with bi-directional charging capability, it is not currently considered appropriate to assume a benefit from this in the calculated energy performance rating. Including this nascent technology, which relies on consumer behaviours and equipment not integral to the premises, would increase the complexity of the EPC scheme. Bi-directional charging is a promising technology, but it is not yet viable for use in the mass market.

Question put and agreed to.

Clause 205 accordingly ordered to stand part of the Bill.

Clauses 206 to 208 ordered to stand part of the Bill.

Clause 209

ENERGY SAVINGS OPPORTUNITY SCHEMES

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

The Chair: With this it will be convenient to discuss clause 210.

Andrew Bowie: We now turn to part 10 of the Bill, which deals with the energy savings opportunity scheme, which I will refer to as ESOS.

[Andrew Bowie]

Clause 209 provides a power relating to ESOS. ESOS mandates energy audits of large undertakings at least once every four years, which cover their buildings, transport and industrial processes. The audits result in cost-effective recommendations for improving energy efficiency. The power would replace the repealed power in the European Communities Act 1972, under which the UK established ESOS in 2014, and without which ESOS is a frozen scheme and cannot be updated.

ESOS is important to the UK's plans to meet net zero targets and reduce energy costs for businesses. The existing scheme's net benefit is estimated at £1.6 billion. The power covers four core options, as set out in the July 2022 ESOS consultation response: to standardise ESOS reports, improve the quality of audits, add a net zero element to audits, and require public disclosure of information from ESOS reports. It also covers two potential longer-term options to mandate action and extend ESOS to medium-sized enterprises, which are for future consultation. The power will enable the amendment of ESOS, or the establishment of such a scheme, and sets out the general provisions to make regulations.

Clause 210 sets out the application of ESOS, including in relation to geographical application and determining responsibility for energy consumption for the purposes of ESOS. It allows regulations to set the description of undertakings that fall within scope of ESOS, and to provide for two or more participants to be treated as a single participant. It would allow ESOS to extend to a far wider range of undertakings, subject, of course, to future consultation. I therefore commend clause 209 to the Committee.

Dr Whitehead: I do not have anything to say on these clauses, other than to note that we are now into the energy savings opportunity scheme, and that the Minister is indeed right that schemes would have been frozen under EU regulations. However, I am not yet sure whether what would have been the case under the EU regulations is reflected accurately in the things coming forward. I hope that it is. The scheme looks okay to me, but I would like an indication from the Minister that, in effectively updating the scheme for the purposes of this legislation, nothing has been lost from what previously was there.

Andrew Bowie: I am happy to give that guarantee. Indeed, one of the benefits of our now not being in the European Union is that we can devise and implement schemes that are fit for businesses and, indeed, homeowners—people within the United Kingdom—depending on the circumstances that we are facing at the time.

Question put and agreed to.

Clause 209 accordingly ordered to stand part of the Bill.

Clause 210 ordered to stand part of the Bill.

Clause 211

REQUIREMENT FOR ASSESSMENT OF ENERGY CONSUMPTION

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

The Chair: With this it will be convenient to discuss clauses 212 to 214 stand part.

Andrew Bowie: Clause 211 makes provision for regulations to set out when, how and by whom an ESOS assessment should be carried out, and other requirements. It introduces a new power for future details from ESOS reports to be published to increase the transparency of the scheme and promote the uptake of energy efficiency measures.

Clause 212 enables regulations to set out functions and requirements relating to ESOS assessors, including who may be an assessor, the maintenance of assessor registers, and requirements on designated bodies that maintain assessor registers. New powers are provided to the Secretary of State or the scheme administrator to ensure the standards of assessors. The powers will allow intervention where there is evidence that an assessor or designated body is not carrying out its responsibilities under ESOS regulations appropriately, to improve the overall quality of ESOS reports.

Clause 213 includes a power to introduce new requirements for ESOS participants relating to the production and publication of an ESOS action plan covering intended actions to reduce energy use or greenhouse gas emissions. The requirements aim to increase participants' engagement with ESOS and stimulate greater uptake of energy efficiency measures.

Clause 214 introduces a power to impose new requirements on ESOS participants to achieve energy savings or greenhouse gas emissions reductions. It sets out two approaches: ESOS regulations may either require participants to take specific actions, or may set out other requirements, such as the public reporting of actions, that aim to encourage participants to take those actions. Regulations would be able to specify that the requirements should refer to a cost-benefit analysis. As stated in the Government response to the ESOS consultation, the former approach would be subject to further consultation before any decision was taken regarding its introduction. Regulations making such provision would, under clause 218, also be subject to the affirmative parliamentary procedure.

Dr Whitehead: I have nothing to add to what the Minister said. I am happy for the clauses to stand part of the Bill.

Question put and agreed to.

Clause 211 accordingly ordered to stand part of the Bill.

Clauses 212 to 214 ordered to stand part of the Bill.

Clause 215

SCHEME ADMINISTRATION

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

The Chair: With this it will be convenient to discuss clauses 216 and 217 stand part.

Andrew Bowie: Clause 215 provides powers for the effective administration of ESOS. It enables regulations to make provision about the appointment of scheme

administrators in any of the four nations of the UK, whose functions may relate to administration and compliance monitoring and/or the enforcement of scheme requirements. It also enables regulations to require businesses to have regard to the scheme administrator's guidance or pay fees to cover the costs of the scheme's administration.

3.45 pm

Clause 216 enables regulations to make provision for scheme administrators to enforce ESOS requirements, including in relation to penalties. It also enables the creation of offences so that breaches could become criminal rather than civil matters in future, should that be desirable. Clause 217 enables regulations to allow the right of appeal for anyone subject to any decisions, penalties or enforcement under ESOS. In the case of financial penalties, it requires a right of appeal to a court or tribunal.

Dr Whitehead: Clause 215 is about administrators and the administration of schemes, and those administrators will have at their elbow action plans determined by previous clauses. It is good to see in the context of this afternoon's discussions that a part of the Bill has action plans as a requirement and that those action plans will be positively administered. Having a plan seems to be a bit of a sine qua non for administrators; we do not seem to have that in other parts of the legislation. The Opposition have been assiduous in trying to put that idea forward, but it is nice to see that that line has been breached at least as far as these clauses are concerned.

Andrew Bowie: I am very happy that the hon. Gentleman is very happy.

Question put and agreed to.

Clause 215 accordingly ordered to stand part of the Bill.

Clauses 216 and 217 ordered to stand part of the Bill.

Clause 218

ESOS regulations: procedure etc

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

Andrew Bowie: This speech is very short. Clause 218 requires the Secretary of State, before making regulations, to consult those likely to be affected, including the respective devolved Administrations where provisions relate to devolved matters. It also describes where the affirmative procedure would be required—for example, if extending ESOS to smaller businesses, mandating action by ESOS participants or creating offences.

Question put and agreed to.

Clause 218 accordingly ordered to stand part of the Bill.

Clause 219

Directions to scheme administrators

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

The Chair: With this, it will be convenient to discuss clause 220.

Andrew Bowie: This is another short one. Clause 219 provides the Secretary of State with a power to give directions to a scheme administrator, with which it must comply—for example, when views differ over the interpretation of legislation or when the Secretary of State wishes to order a scheme administrator to remove an individual from its designated register of persons who may be appointed as a lead assessor. Clause 220 enables the Secretary of State to provide or arrange for financial assistance to scheme administrators and ESOS participants.

Dr Whitehead: I will just mention in passing that there is an interesting progression in clause 219, relating to directions. Subsection (1) says:

"The Secretary of State may give directions to a scheme administrator."

So far, so good. Subsection (2) says:

"The power to give directions under this section includes a power to vary or revoke the directions."

From that, it appears that the Secretary of State has the power to revoke their own directions—

Andrew Bowie: He has the power to change his mind.

Dr Whitehead: Indeed, but presumably if the Secretary of State changed his mind, he would not start with subsection (1) in the first place, so it is a bit of a strange formulation. I think that had the Opposition moved that as an amendment, the Minister would have said it was superfluous and unnecessary. I do not know why that particular formulation has been put in but we know that subsection (3) says:

"A scheme administrator must comply with any direction given to it under this section"—

however confusing—so it is probably all right then. But I must admit that subsection (2) looks a bit odd.

Andrew Bowie: I understand the hon. Member's question and the direct answer is yes, the Secretary of State can revoke his own direction. I think it is important to set that out in the Bill and, indeed, there is precedent for it in comparable provisions in section 51 of the Climate Change Act 2008, passed by the then Labour Government.

Question put and agreed to.

Clause 219 accordingly ordered to stand part of the Bill.

Clause 220 ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned. —*(Joy Morrissey.)*

3.52 pm

Adjourned till Thursday 15 June at half-past Eleven o'clock.

Written evidence reported to the House

EB21 National Grid
EB22 UK Petroleum Industry Association
EB23 Energy UK