

Business, Energy and Industrial Strategy Committee

Oral evidence: The work of the Business, Energy and Industrial Strategy Department, HC 529

Tuesday 13 December 2022

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Members present: Darren Jones (Chair); Alan Brown; Ruth Edwards; Jane Hunt; Ian Lavery; Andy McDonald; Mark Pawsey and Alexander Stafford.

Questions 120 - 249

Witnesses

I: Grant Shapps MP, Secretary of State, Business, Energy and Industrial Strategy and Sarah Munby, Permanent Secretary, the Business, Energy and Industrial Strategy.



Examination of witnesses

Witnesses: Grant Shapps and Sarah Munby.

Q120 **Chair:** Welcome to this afternoon's session of the Business, Energy and Industrial Strategy Committee, for our latest session on the work of the Department with new Secretary of State, Grant Shapps. Welcome to the Committee, Mr Shapps, and welcome back to Permanent Secretary Sarah Munby, who has been with us a number of times before. Secretary of State, I want to start on the issue of strikes and the UK workforce, given it is very topical today. You presumably recognise that the size of the workforce in the UK has been shrinking for some time?

Grant Shapps: Yes, if you mean in terms of the number of people who are active participants.

Q121 **Chair:** Yes. In particular, as I understand it from the ONS, there have been around 200,000 people aged 50 to 64 who have left the labour market between Q4 2019 and Q4 2021. Is that not quite a high number?

Grant Shapps: Yes, it is. The dates that you mentioned are obviously revealing in themselves because it is related to the coronavirus outcome, which is that some people have not returned to work. We are obviously very interested in ensuring there are opportunities for all, and with a labour market as tight as it is at the moment—3.6% unemployment, an historical low since 1974—there are opportunities for people to perhaps re-enter the marketplace. It is something that we are interested in trying to assist the DWP and others with.

Q122 **Chair:** Yes, because the economic inactivity rate—the number of people that are not working—is around 22%, which I understand is a record high. Around 100,000 of those 200,000 50 to 64 year-olds who have left the labour market did so for ill health, but the other 50% have other reasons. Presumably you recognise that in a cost of living crisis, there being fewer people to do all the jobs that we have creates pressure on pay?

Grant Shapps: That is true. In reference to those figures, I noticed you cited them up to the middle of 2021. What would not be revealed in the figures you have are the anecdotal findings I have from speaking to employers. With the increased costs of living, particularly through the Putin-induced increased cost of energy, people who had exited the workplace are, in some cases, looking to return. This is obviously very interesting and is putting all sorts of pressures on employment workforces. It makes the level of automation particularly interesting, as well.

Q123 **Chair:** You recognise that there is a particular pressure in terms of public sector pay. The ONS have said today that private sector pay growth has been about 7% and it is about 3% in the public sector, so it is reasonable that the public sector workers are conscious about their pay levels, is it not?



Grant Shapps: I remember seeing a set of figures prior to those this morning, which I will have to reference separately, which showed that private sector pay had risen around 4%, although I did not have a figure for the public sector. I suspect it will depend on the time period you look at, and I will get the Committee those numbers. Clearly, everyone is under pressure. Inflation, which is induced by Putin's illegal war, is the reason for that and it has pushed up energy prices as a result. I saw before coming here that the US inflation figures, released today, have shown that rise has continued its descent in the last month. I very much hope that we in Europe will be in that position before long. To come back to your point on pay, the pressure for pay increases is coming from the level of inflation which is, in no small part, deduced from the cost of energy.

Q124 **Chair:** It would be wrong though, to blame President Putin for everything. I am not here to defend him, clearly, but if we look at economic growth in the UK since 2015, excluding the obvious problems of the covid-19 pandemic, we have had half a decade of economic decline, have we not?

Grant Shapps: Again, you are selecting particular figures. Since 2010, the UK has enjoyed the third fastest growth in the G7, faster than Germany, France and Japan. It really depends on where you set your figures from. It is true to say that Putin is responsible for the very, very high levels of inflation that the west has experienced, which is essentially an energy shock.

Chair: The figures that I am looking at are from the Office for National Statistics.

Grant Shapps: You just used a different base. You used 2015; I used 2010.

Q125 **Chair:** I have them from 2011 onwards, so I can go through each year if you wish. In fact, let me do that, as you have invited me to do so. There were only four years between 2010 and before the pandemic where there was a positive annual change in economic growth: 2012, 0.01%; 2013, 0.42%; 2014, 1.1%; and 2019, 0.02%. Since 2015, there has been a consistent year-on-year decline in economic growth as a percentage of GDP. These are Government figures.

Grant Shapps: Again, it depends on which baseline you use. I do not have a set of numbers with me, but we can trade them via letter if you wish. For example, this year we have had the fastest growth in the G7. I am not sure it adds much to trade these figures back and forth. If your central argument is that productivity is not what we want it to be in this country, then I completely agree with you and we will find a lot of common ground. Also, although my tenure in this role is new, I can see ways to improve our productivity quite dramatically as a country, which is very much in our national interest.



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Chair: To be clear, it is our job on this Committee to measure your performance as a Government; I am just using the available Government figures.

Grant Shapps: No, as I said, it depends on which figures you quote. The figure that I quoted, that we have had the third fastest growth in the G7 since 2010, is also accurate. If your central point is that it would be nice if we grew faster, then I think we can all agree, and productivity is at the heart of that.

Chair: Yes, but I am only interested in your Government's performance here in the UK and you keep comparing us to other countries. What I am trying to put to you is based on Government figures and there is no dispute that since 2015, we have had a period of economic decline, not economic growth.

Grant Shapps: The Office of National Statistics is not the Government; it is not us publishing our homework. The ONS is an independent statistical office. People watching this Committee will be familiar with both the pandemic and a war in Europe, which have had an impact. Also, as I said, it depends on where you start and end the numbers.

Q126 **Chair:** The pandemic and the war in Europe did not start in 2015 when we started this period of economic decline. I will move on to business investment. One of the issues around economic growth is the investment that the private sector as well as the Government makes in our economy, in addition to what people spend. I have these figures here, not just from the Office for National Statistics, but the Office for Budget Responsibility as well. You may want to refute their figures, but let me just tell you—

Grant Shapps: I am not refuting any of these figures.

Chair: I have not asked you a question yet, Secretary of State, if you will bear with me. From 2015 to the year before the pandemic, private sector investment went from a 9.3% increase when comparing 2015 to 2014, down to 0.9% in 2019. Again, this indicates half a decade of economic decline. What is your observation of those figures?

Grant Shapps: My observation is that you are selectively picking figures which do not disagree with the narrative that I am presenting to you. Of course we want our productivity to be much faster, but as I have already demonstrated in the figures that I presented back to you—and I will not repeat them for a third time—it really does depend on the start and the end date you use. We did not get to the third fastest growth in the G7 in the last 12 years by using your particular set of figures. Using the same statistical analysis, I can demonstrate the opposite. I am not sure this adds much to the wealth of knowledge in the room.

Q127 **Chair:** If you refute the figures from the Office for National Statistics—

Grant Shapps: As I have said before, I do not refute the figures. I am simply questioning your specific start and end dates as opposed to mine.



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Chair: Okay. First of all, please do not interrupt me because it is rude and inappropriate. Secondly, let me finish asking my question please. My first question was, if you do not believe the figures from the Office for National Statistics and the Office for Budget Responsibility, whose figures are your comments based upon? I want to check them for reference.

Grant Shapps: First of all, I will write to the Committee with the set of figures that I have been talking about, which show that our growth is the third fastest in the G7 since 2010. Secondly, I have always thought the purpose of a Committee was to have a debate back and forth.

Q128 **Chair:** No, it is to answer my questions, in which case you should let me finish asking. As you wish to make reference to other countries, based on current OECD projections, the United Kingdom is apparently the only nation in the G20 that will have a smaller economy in 2025 than before the pandemic. Why do you think that is?

Grant Shapps: Because, when I respond saying, for example, that will have the fastest growth this year, you move on to a different statistic. As I have said, I am not sure this really adds a great deal to the wealth of knowledge.

Q129 **Chair:** The wealth of knowledge is based on independent data and that is the only thing we can have reference to in terms of your performance. Are you now refuting the OECD's economic outlook, as well as the ONS and the OBR?

Grant Shapps: I am simply saying that I did not come here with a set of figures to debate about the size and scale of the economy, as opposed to some of the industrial and energy issues facing us, although I will do for the next attendance, seeing how you run your Committee. I will come armed with those numbers for the next occasion, but you and I both know you can quote many different organisations, the OECD, IMF, OBR and ONS, and come up with a range of different projections; I fear you are being selective in your range. I am able to quote, off the top of my head, as I have pointed out several times, alternative figures.

On a slightly more constructive note. I do not think we are that far away in terms of an understanding of what needs to happen, which is that we need to have faster productivity and growth. There have, of course, been a range of headwinds, including a global pandemic and a war in Europe, which have an impact on different countries in different ways.

Q130 **Chair:** You do not seem to want to have a discussion around the performance of your Department based on data in terms of economic growth. When you arrived as Secretary of State, you did a video from the round lifts for your Twitter account, where you called the BEIS "the department for growth." If you are uncomfortable with me using these statistics on growth, how would you like me to measure your performance as a department for growth?



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Grant Shapps: I am not uncomfortable at all. As I pointed out, we will have the fastest growth in the G7 this year. When your Clerks listed a range of issues that you wanted to discuss at this Committee, that was not included. It is not a brief that I have come armed with, and I am telling you what I recall off the top of my head.

Chair: Okay, for future reference, it should not be a surprise that I would like to talk to you about the economy, but now we know. Mark Pawsey, please.

Q131 **Mark Pawsey:** Thank you, Chairman. Secretary of State, I would like to talk to you about an important sector of business and industry and that is manufacturing. We know that manufacturing has declined quite substantially since the 1970s—it made up 25% of our GDP and is currently running at around 11%—as offshoring has taken place and less valuable products are being manufactured in countries with lower wage economies. Is making things still an important function of our business sector?

Grant Shapps: Yes, it is a very important area to our industrial sector, particularly in areas of advanced manufacturing, where there is a lot of value added. Your central point is true, over many decades we have transitioned from a purely manufacturing, industrial revolution economy, into one which has entered into a lot more service, science and so on. Manufacturing, and particularly advanced manufacturing, is a very important part of our economy and something that I would want to see championed.

Q132 **Mark Pawsey:** It is a sector that is facing challenges right now. In the last few days, Make UK produced their report, setting out some real challenges, not least of course, energy costs. I know a great deal of our discussions this afternoon will be around energy as cost increases are probably the most serious issue businesses are facing. They know that there is a scheme to support them with energy costs at the moment, the energy bill relief scheme, but that runs out in March. You have been in business yourself, Secretary of State, so you know that businesses like certainty. What can we tell businesses about what will replace that scheme in March?

Grant Shapps: Yes, the Chancellor has spoken about this and is going to be saying more about it very shortly, I believe on the 15th.

Sarah Munby: Yes, that is right. The review of the EBRIS, which was promised at the point of announcement of the scheme, is due imminently. That is designed precisely to give businesses a period to understand the scheme before it comes into force at the beginning of April.

Q133 **Mark Pawsey:** Secretary, can we tell businesses that it will be a substantial scheme, and will be comparable to those of competitor economies? Businesses that are competing with an overseas



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manufacturer can then know that they are not going to be put at a disadvantage of increased energy cost. That is the message we have had from energy-intensive industries for many years.

Grant Shapps: It is absolutely true that energy-intensive industries have seen historically higher prices here, than, for example, some of our European competitors. The energy-intensive industries scheme provides an 85% assistance and has paid out a couple of billion pounds since 2013. Of course, I recognise the scale of that challenge is made much bigger by the much-increased energy prices.

Q134 **Mark Pawsey:** Sure, and the proportion of businesses or manufacturers that would consider themselves to be energy intensive is higher because of the proportion of the cost of their inputs that is made up by energy, correct?

Grant Shapps: Yes, exactly. The Chancellor specifically recognised this point in his autumn statement and said that he would come back to this particular scheme. As the Permanent Secretary says, you really will not have to wait very long for a Treasury response on this.

Q135 **Mark Pawsey:** You alluded to this in your discussion with the Chairman, but there are both labour shortages and skill shortages. I know that is often covered by other Departments, but what is BEIS doing to assist businesses in making certain that they have the right skills and the right people applying for the vacancies that they have?

Grant Shapps: That is absolutely right. As you say, it is primarily DWP, together with DFE. I have been proactive in working with my Cabinet colleagues from both of those Departments, because, as you rightly say and I was saying with the Chair previously, the skill shortage is causing a constriction for businesses, which has the impact of lowering potential output. We will all see it as we visit our constituencies and meet companies; I see it in my role as Secretary of State. There are two ways of resolving that, one of which is through what I was hinting at before, which is the automation of manufacturing, of factories and so on.

Q136 **Mark Pawsey:** In a previous Parliament, this Committee did a report on that and we have been very slow. We established that we then had one robot for every 50 that exists in Japan. How are we going to improve that?

Grant Shapps: I suspect that is right and that it has something to do with the previous shape of our employment markets, particularly whilst we were in the EU. It was probably always less expensive in the short term to ask somebody to come and do that job from one of 27 other countries with no visas required etc, than it was to invest in technology. I was in my constituency last Friday, at the warehouse which is the main DHL distribution point for M&S. Due to a lack of staff, which is certainly a current European, if not global, problem, they have invested in the robots you are talking about which are helping the existing staff to be much more productive. There is great opportunity there.



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To your training point, we need to work very closely with the Secretaries of State for DFE and DWP to link up what we do in our Departments, which does not get heavily into the training side of things, in order that we can be more effective.

Q137 Mark Pawsey: Yes. As a West Midlands MP, what happens in automotive is very important in my constituency as many people work at Jaguar Land Rover and various companies in their supply chain. We have a big manufacturer of electric vehicles in the West Midlands, which is the heart of automotive manufacturing. We know that electric vehicles will be made close to where the batteries are produced, given that the battery makes up 40% of the weight and cost of the vehicle. What we do not have in the West Midlands currently is a commitment to a gigafactory. Can you reassure my constituents, whose livelihoods depend on the success of Jaguar Land Rover, that there will be a gigafactory in the West Midlands?

Grant Shapps: We were very keen to have gigafactories in this country. They do not get produced overnight, for reasons you are aware of, but you will know that we are in a conversation with a number of potential builders of gigafactories. However, it is not just a question of the gigafactory, but of the whole supply chain. I was recently in Teesside, at a firm called Green Lithium, who are Europe's first lithium refinery, and will not only be able to refine lithium and export it to Europe, but also provide the UK supply chain with batteries. It is a stage or two before you get to put it into batteries, but it is as important as the actual gigafactories, which tend to get all of the publicity. The Committee will be interested to know that the owners there told me that they are building that in the UK because our regulations make that much more desirable than doing it in Europe. We are embedding ourselves into that supply chain from an even earlier stage than just the gigafactories, which I also want to see.

Q138 Mark Pawsey: We are running behind, Secretary of State. Take BMW's production of the Mini, for example. Manufactured at Oxford, they have taken the decision to manufacture the electric product in China because that is where the batteries are. The Oxford factory will continue to produce the internal combustion engine powered Mini. We are not going to be putting internal combustion engine products onto the UK market after 2030, so what future for automotive manufacturing?

Grant Shapps: I do not want to betray commercial discussions, but I am in conversation with many of the manufacturers about their plans and, given what I know is being considered in the pipeline, I think the overall future here will be bright for electric manufacturing. It is of course already the case that we manufacture vehicles here, including electric, which are sold throughout Europe.

Q139 Mark Pawsey: How do we prevent companies like BMW taking the decision that they have recently? How can we show that we are really keen to keep them here in the UK?



Grant Shapps: The specific decision that you are referring to is one of a series by BMW, and indeed other firms, so there is more of a continuum in this. I want to reassure you and the Committee that I am very active in those conversations in order to ensure that we do land that supply chain. As Transport Secretary, I was instrumental in setting the 2030 date for the end of pure diesel and petrol sales. When I, as an enthusiast, bought my electric car, only one in 100 were electric. I notice that battery electric vehicle plug-ins are now one in five, or 20%, which reflects a huge increase in sales. Now I am on the BEIS side of things, I want to ensure that the supply chain side of that matches our ambitions as a country to go electric with our vehicles.

Q140 Mark Pawsey: Switching to another sector which is linked to automotive. We have just had an inquiry into semiconductors because the automotive sector was struggling with supply. Some of us were wondering why we have a plant in the UK. I know it is not simple, Secretary of State, but while we account for only 0.5% or 1% of UK production, we are at the cutting edge of the high technology sectors. How can we make certain that we hang on to that and do not lose our way in the manner that we exited the silicon chip market? We pioneered that, but someone else ended up making them at scale.

Grant Shapps: Yes, when I look at the silicon chips and wafers, the whole gamut, it is really important that we view the market as a supply chain. Exactly as you described, right through, in this case to cars, the whole world is struggling to get supply. Throughout covid-19 and the supply chain problems, particularly with the ongoing situation in China, then subsequently through this war and the constrictions on energy supply, one thing has been clear. There is a premium on being able to do things domestically. I am only a few weeks into this job, but as I look to develop a BEIS industrial policy, I will be cognisant of ensuring we have a supply chain that can always provide for UK industry. I very strongly recognise the point that you are making and I am working on that. We will be able to return to the Committee to talk more about that in a short while, but I hope that Members will be reassured by the recognition of the importance of your question and that I am actively working on it.

Q141 Mark Pawsey: Thank you. Last question from me, Secretary of State. If I ran a small business and employed people, I would have really worried if, on day one, somebody had come to my office and had demanded the ability to work flexibly. What do you make of Lord Dyson's remarks?

Grant Shapps: We are in a modern workplace. I am probably the first Business Secretary for quite a while who started my own business: a printing company 33 years ago. I remember all the worries of employing people and trying to juggle if somebody was not there. I probably would have to try and step in, and I was not necessarily qualified to do that particular role. I understand all of those concerns. Having said that, we are living in a society where we recognise the importance of the balance between working and living our lives. The only things we look to do are to make sure that there is a good understanding between employers and



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employees to have those conversations upfront. Given the measure that you mention, it is important to recognise that what we have said is that people should be able to ask the question. We are trying to set the ground rules, but we are not forcing the answer. It is something that I would have recognised as a 21-year-old employer, 30 years ago. "I get it, this is the conversation they want me to have in order to onboard that employee in the best possible way in everybody's interest."

Q142 Mark Pawsey: In small businesses, Secretary of State, people are often co-workers rather than boss and employee; they depend on one another. I think most small businesses would say they are more than happy with the right, but it should be earned and should come later in the period of employment. Do you not agree?

Grant Shapps: What we have essentially said is that this a conversation that is worth having at the beginning.

Q143 Mark Pawsey: Should it not take place at interview stage?

Grant Shapps: Hopefully, this will encourage that conversation. The best way to get the best employer/employee relationships is by recognising these things and having the conversations up front and knowing what the expectations may be. It is the practical, sensible way to behave. I am not saying this in a theoretical manner, I have been in that employer's situation, as the youngest person in that company I have lain awake at night, worried about paying salaries so people can pay their bills at the end of the month. I totally understand what you are driving at here, but I do think that just having that conversation is a good thing for employees and employers to do. I recognise the limitations of this and that you do not want to make it so prescriptive that it leads to people not being employed in the first place.

Q144 Chair: Thank you. Just very briefly, Secretary of State, you mentioned you were developing a BEIS industrial policy. Does that mean we are returning to BEIS having an industrial strategy or not?

Grant Shapps: No, and I deliberately worded it in the sense that I am thinking through policies and I will certainly be very happy to come back to the Committee when I have been in the job for more than a few weeks to talk about that more.

Chair: Thank you. Andy McDonald, please.

Q145 Andy McDonald: Thank you, Chair, and good afternoon, Secretary of State. Is the Government still planning to introduce an Employment Bill or do we have everything that is going to come through the Private Members' Bills and the non-statutory guidance?

Grant Shapps: We have had five separate Bills, which the Department has helped sponsor through Back Benchers. I do not think we have an Employment Bill on the cards per se.

Q146 Andy McDonald: The Queen's Speech commitments, the policy



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commitments, manifestos are all done now. Are they concluded and complete?

Grant Shapps: Again, I look to the Permanent Secretary, who will have a better idea of the history on this. In the manifesto we made a series of commitments, many of which have been exercised through five separate Backbench Bills. Obviously, time in Parliament is always tight and we look to do it in the best possible way. I may be missing something in that answer, so I just want to make sure it is complete.

Sarah Munby: No. Parliamentary time is clearly a challenge, but it is not just legislation, of course, that brings those commitments to life. The guidance on self-employment that the Department has published would be an example of a non-legislative measure.

Q147 **Andy McDonald:** We talked about flexible working. It very much sounds as though it is the right to request, and that is it, done. Are there any plans to enforce that statutory right to request flexible working?

Grant Shapps: What we have done has covered what we said we were going to do in our manifesto. We have reached the point of delivering that, subject to a final check of the manifesto in case I have missed something.

Q148 **Andy McDonald:** You are also committed to a single enforcement body. Is that still going to happen, and are we going to have more inspectors? If so, how are you going to achieve that increase in numbers as necessary?

Grant Shapps: Given that we have spent more than two years of this Parliament fighting covid-19, we have then seen the way that individual enforcement bodies are operating. It may be that with two years left of the Parliament, we are still able to address single enforcement bodies. As the Permanent Secretary was saying, we are more interested in ensuring that the bodies that are already in place are operating effectively.

Sarah Munby: As an example, one of the pieces of labour market enforcement that we are responsible for is the national minimum wage. We have doubled the budget that we put into compliance and enforcement of that over the last few years. Exactly as the Secretary of State says, we are seeking to make the bodies that we do have as effective as possible.

Q149 **Andy McDonald:** Has the latest Strategy on Labour Market Enforcement that was submitted by the director in March—

Sarah Munby: It is imminent, currently going through write-round.

Andy McDonald: We heard continuously in that evidence that these strategy job documents were greatly delayed. Why is that continually happening?



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Sarah Munby: We have had a few changes in personnel. We are doing our very best to get it out as fast as we can and, as I say, it is imminent.

Q150 **Andy McDonald:** Secretary of State, last month, Margaret Beels, the Director of Labour Market Enforcement, told us that the complacent attitude of Ministers to the enforcement of workplace rights that was identified by her predecessor has not improved. She also noted that the high turnover in Ministers has not helped with building relationships and getting a clear understanding of the direction of travel. Do you agree with her analysis and what are you going to do about it?

Grant Shapps: I am going stay in place for a very long time, so we stop getting this changeover. It is very hard for me to speak for the past with regard to this. We have supported five separate Private Members' Bills, based on the manifesto, including introducing neonatal care leave and pay, ensuring all tips go to staff, redundancy protection extended to cover pregnancy return to work, leave entitlement for unpaid carers and access to flexible working. With regard to the questions that were coming from over here just before, it is true, you have to make a balance between the employer and the employee. I have only been in position for a few weeks, but I think we can be pretty proud of our record, so I am not sure I agree that there has been any complacency amongst my predecessors, but I can assure you there will not be, now that I am in place.

Q151 **Andy McDonald:** What I was reciting to you was the view of the Director of Labour Market Enforcement. We also heard evidence in our inquiry that, despite what the Permanent Secretary has told us about HMRC increases in resources, the three enforcement bodies are spread woefully thin. We need to see a greater improvement in enforcing those workers' rights, so do you maintain that those enforcement bodies are adequately resourced?

Grant Shapps: I do, as you heard. I turn again to the Permanent Secretary, who will have more experience on this matter, but I believe one of the budgets has increased substantially.

Sarah Munby: In terms of the bodies that BEIS sponsor, in addition to, as I said, doubling the resource on national minimum wage, we have also increased investment in the Employment Agency Standards Inspectorate. You would have to consult other Departments on their own bodies for the broader question.

Grant Shapps: To put that into perspective, on Labour Market Enforcement, the budget in 2015-16 was £13.2 million and in 2022-23 it is £27.8 million. I would reject any notion that we have not in fact upped the budgets quite significantly.

Q152 **Andy McDonald:** Okay, thank you for that. I turn our attention now to employment and tax statuses. There is widespread agreement that the discord is unhelpful and creates gaps in which unscrupulous businesses



can operate. Again, Margaret Beels told us that she had looked at the guidance and it said, "The guidance will make it easier for individuals to work out their own status whilst ensuring the employment status system remains flexible and continues to adapt to modern working practices." However, she said she had tried to read the Government's response to the consultation on employment status, "It is pretty heavy going. Even the guidance to workers is quite tricky to follow. You almost have to have your fingers in three places at once." Do you intend to look at the employment and tax statuses to ensure that people are correctly classified? Quite clearly, people are being deemed to be in self-employment where an employer is in total control of everything that they are doing. Are you going to look at that again?

Grant Shapps: I found the Good Work Plan, which was the Taylor review, very readable, but I might be thinking of a different document.

Andy McDonald: It is subsequent guidance that has been issued.

Grant Shapps: I will have a look at it. We aim to make guidance as clear as possible, and if we are not doing that, then I want to know. In my previous roles, I have had a habit of going through guidance, giving it to my then 12-year-old children and asking if they understood it. What you want to do with guidance is make it very clear and very readable and not overly wordy. Although I have not looked at that specific guidance, I am happy to do so.

Q153 **Andy McDonald:** The director of Labour Market Enforcement effectively told us that it was unintelligible, and it needed greater clarification. You have people trying to work out what their own status is. Are you really telling me that there is no plan to revisit that in terms of the classification of work, that you are going to leave it as it is, with the confused picture as it currently pertains?

Grant Shapps: That might be slightly over-putting words in someone's mouth. I will certainly go and look at the guidance itself. I have read the Good Work Plan, which I thought was very readable. Everything that we do should be readable, so I will give you the undertaking to take a look at that matter.

Q154 **Andy McDonald:** I want to turn to P&O in the time we have available. In the furore following that, all manner of threats were issued by Ministers, including yourself, Secretary of State. There was talk of an unlimited fine for dismissing the entire workforce and bringing in agency workers. What happened to that?

Grant Shapps: There is a nine-point plan and I am very pleased to have tracked it very, very carefully for many months. We have made very good progress on it and the latest stage is actually in the Lords and back in the Commons—

Sarah Munby: Monday.



Grant Shapps: Seafarers is on Monday, which was actually one of the key final stages in it. I am very happy to write back to the Committee on the nine-point plan that you are referring to and I think you will be pleased to see that we have pursued every element of that plan pretty doggedly.

Q155 **Andy McDonald:** Have you? Where is the unlimited fine on P&O or on DP World? The Seafarers' Wages Bill is a step in the right direction, but that only addresses the remuneration of seafarers as it does not qualify for national minimum wage. How will the measures that you are introducing prevent another P&O from happening tomorrow?

Grant Shapps: Forgive me, I have not brought the nine-point plan with me, but each element of it interacted with the next. For example, the change in guidance, the primary legislation that we are taking through Parliament which completes its passage very shortly and the measures that I took in the immediate aftermath, all interact with one another. The reason that there is not a very clean, simple answer to your question is that we were dealing with international maritime law which, as you will know, crosses over with both our domestic and international responsibilities. I quite often found solving the issues required a number of different things to happen simultaneously. I am very happy to write back to the Committee with a full update, but I think the Committee will be pretty pleased to see the progress that we have made. I have, in fact, made sure that we delivered on all nine points.

Sarah Munby: If I may just add one thing, you are getting at the question of active investigations and ultimately sanctions that might come from such investigations. We would not be able to comment on a specific investigation, for example, the insolvency service has duties of investigating directors' misconduct, but we would not update live on such investigations.

Q156 **Andy McDonald:** We had a live update when we had a Joint Committee here, with the Insolvency Service. Peter Hebblethwaite sat there telling us, to our faces, that he was quite content to break the law. Members of this Committee and people elsewhere want to know what has been done to prevent that from happening. They need to be hit with a sanction that hurts, otherwise, we will have that man doing the same thing. Why on earth is he still a director, what steps have been taken to ensure that man no longer qualifies? What steps have been taken to impose sanctions? Those are quite specific questions that you are perfectly able to comment upon.

Grant Shapps: First of all, the evidence that you took in that Joint Committee had a very deep impact on me as I responded to that situation. What occurred will not be able to occur again after the nine measures were taken. However, as Peter Hebblethwaite said to you, he used loopholes, including flagging under, I believe it was a Maltese flag, rather than the UK flag, in order to evade the responsibility to inform, for example, the Secretary of State 45 days in advance of taking the action.



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We have either closed off or are in the process of closing off, with the completion of this Bill, opportunities for those things to happen. We are also introducing a range of measures, including the requirement to pay minimum wage where ships regularly berth on British shores. The one assurance I can provide and with much more details of the whys and wherefores is how the nine-point plan has impacted. You have asked about why he is still in that role, that is simply because it is the job of the Insolvency Service and legal authorities to decide what is legal and illegal. They decided that there were no criminal sanctions, but the last I heard were still looking at civil sanctions.

Q157 **Andy McDonald:** You will accept that the Seafarers' Wages Bill does not address differential pay rates. You will still have people who are coming into British ports paid at a very, very low level.

Grant Shapps: Not people who are regularly plying the trades. There are a set number of times over which they can come to British shores and that would certainly take into account the P&O business, or ferries. In other words, they would no longer be able to legally avoid paying the minimum wage.

Q158 **Andy McDonald:** Moving on to another matter, when is the second reading of the Minimum Service Levels Bill?

Grant Shapps: I do not have that date with me.

Q159 **Andy McDonald:** No information on that, thank you. What assessment have you and the Department made as to whether the Bill, which effectively forces trade unions to break their own strikes, may go against legally binding post-Brexit trade agreements?

Grant Shapps: Anything we do would obviously have to be fully compliant with the law. I think the broader point you are getting to which would be of interest to people watching this Committee, is that there is of course the right to strike and that right should exist. I am actually a great champion of that right. There is also a right for people to be able to get to work, particularly those who are in jobs where they have to attend directly. Those are often not well-paid jobs, like the hospital porter or cleaner, who cannot sit behind their desk at home and do that job. There is a perfectly proper decision for both Government and this Parliament to take about where that line should be drawn, and at what point there should be a minimum service required in any given industry. That is why minimum service levels were included in the Conservative manifesto in 2019, and the Government intends to legislate when time allows.

Q160 **Andy McDonald:** Effectively, under the Bill, workers who are covered by a democratic vote for strike action will still be compelled to go to work during that strike action. How can that be right in a free and democratic society?

Grant Shapps: It already exists in other areas, for example, in policing or in the Army. In return for accepting what are essentially pay review



outcomes, people are asked to work. That is not what is proposed in minimum service levels. It is in fact a minimum service level so that the right to strike is still preserved. It is a judgment for people to make and indeed people made it when they voted for a manifesto including minimum service levels in 2019. Previously you were arguing that we should deliver our manifesto commitment on employment rights. I agree that in this case, we should deliver our manifesto, which included minimum service levels.

Q161 **Andy McDonald:** You are not concerned about the erosion of civil liberties?

Grant Shapps: No, because all these things come with checks and balances, it is not an absolute thing. What we are saying is that the hospital porter who needs to get to work otherwise they lose out on their income, should also have rights.

Q162 **Andy McDonald:** What is the quid pro quo for those workers who are going to be subject to the minimum service agreement? What better terms and conditions are you going to offer them in return for enforcing minimum service levels?

Grant Shapps: The minimum service levels in the manifesto are in regard to transport and rail, in particular. I do not think anyone, yourself included, can seriously argue that the conditions on our railways are not pretty good. You can earn, for example, £80,000 driving a train on the West Coast Main Line. You may not need to work more than four days a week to do so, and I am pleased to have people who are well-paid for doing their jobs.

Q163 **Andy McDonald:** Cleaners on our railways are paid under £10 an hour, and they have to pay for their own travel to work. Are you seriously suggesting those people are well paid to work on our railways?

Grant Shapps: I am actually concerned about those people and the impact that these strikes have on them, so we may be more on the same side than it sounds.

Q164 **Andy McDonald:** We should perhaps bring them in house. Why are you ignoring your own Government's impact assessment that says that the Bill would lead to more strikes and staff taking action short of striking? It is your Government's impact assessment; why are you not taking full recognition?

Grant Shapps: First of all, as far as I am aware, there is not a Bill that we are referring to here. You asked about Second Reading; let us wait.

Andy McDonald: I asked you about your Department's impact assessment on the potential of the Bill.

Grant Shapps: As I say, we are probably getting slightly ahead of ourselves because when we presented—



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Andy McDonald: I am not getting ahead of myself; I am talking about an assessment that exists. I am asking you directly, why are you ignoring the assessment of your own Department that this will exacerbate the situation?

Grant Shapps: As far as I am aware, I have not actually introduced a Bill for this Department.

Andy McDonald: Oh, sweet Lord!

Grant Shapps: With the greatest respect, Ministers are still looking at this issue and making decisions, and you are referring to an assessment therefore which is not relevant to the decisions that are actually being made yet.

Q165 **Andy McDonald:** Are you saying the assessment has not been made?

Grant Shapps: No, I am simply saying that Ministers—and I know this because I am the Secretary of State here—have yet to make that final decision about which way it will go. You are saying, "But you are ignoring it," and I am saying, "I am not ignoring it because I have not made those decisions yet."

Chair: I just remind colleagues, try to stick to the time allocation. There will be time for supplementaries at the end. Alexander Stafford, please.

Q166 **Alexander Stafford:** Thank you very much, and thank you, Secretary of State, for coming. I am going to devote most of my comments to hydrogen. As I am sure you know, I am the Chairman of the All-Party Parliamentary Group on Hydrogen, and this Committee covers this.

I notice today that your Department published its hydrogen strategy update to the markets. In it, you stated, "The Government is exploring opportunities to export hydrogen, including from the UK to continental Europe." This rhetoric clearly requires a clear policy to show how this will happen and be committed to, but there are no timescales or clear dates. What I am hearing from various people in the industry is that investor confidence is dwindling in the UK hydrogen sector due to lack of clarity. Could you outline more about timelines and what you are hearing from the industry about moving away from them?

Grant Shapps: First of all, I have been a very keen advocate of hydrogen from my time in transport, because I think it has a very good application, particularly in the heavier vehicles, maritime and indeed in aviation as well. I have been a big backer of it, and as a result backed, for example, Teesside becoming a hydrogen hub and getting an early start on that.

As you will know, our overall plan is to have 5 GW of hydrogen capacity. Sorry, no, it is more than five, is it not? Five is just from the electrolytic version of hydrogen by 2030.

Sarah Munby: That is right.



Grant Shapps: I think 10 GW overall, from memory. We are very keen to see the hydrogen economy grow. I recognise there are challenges, not least from other parts of the world who are keen on hydrogen. We have a great opportunity, because we have the combination of clustering, which is often very important, offshore wind with potential for night-time hydrogen production, and some great scientists as well. Overall, we do have a great opportunity. I am just going to ask the Permanent Secretary to talk about the status of some of this.

Sarah Munby: Maybe just to talk about a few of the milestones that we have reached and will be reaching. You will have seen in April we launched the £240 million net zero hydrogen fund. We have moved to annual allocation rounds on electrolytic hydrogen, and we will be announcing the first set of projects early next year. You talked about what we published today. Alongside what you were discussing, we published the consultation on transportation and storage models. Those will be up and running by 2025. That is a process that takes a while, because we are designing a fundamentally new economic model for people to store and transport hydrogen. I absolutely accept this is something on which we need to move at pace to deliver the commitments we made in the hydrogen strategy and continue to maintain investor confidence, and I think we are doing that.

Q167 **Alexander Stafford:** Then why are investors telling my All-Party Group and the Committee that we are falling behind? Why did the investor community basically say a couple years ago, "The UK was the world leader, and now we are falling behind"? That is not something the Government should be proud of, surely.

Sarah Munby: It is fair to say that we always get feedback from our stakeholders that they would like everything to move faster. Of course, if we could establish all of these models tomorrow that would be great, but given that we are building a fundamentally new economic system—these are the railways of this green industrial revolution—we do need to make sure that we have the right balance between taxpayer commitments, regulatory impacts on consumers and so on, so yes, as fast as possible but no faster.

Grant Shapps: We have a hydrogen champion working with the Government as well, who is helping to steer and advise on hydrogen. Ann Toogood, is it not?

Sarah Munby: Jane Toogood.

Grant Shapps: Jane Toogood, I beg your pardon. I met with her last week, and she is very enthusiastic about the possibilities, which include probably £9 billion of private investment by 2030 as well if we can get this all correct. It is new technology, and therefore when you pioneer in these areas not everything happens instantaneously, but it is not through any lack of our desire to see it happening. Indeed, I have visited some



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very exciting hydrogen projects in the past and look forward to doing so again.

Q168 Alexander Stafford: Indeed, but one of the things I am cueing up is there is not a clear framework for investors to guarantee return on investment. I am often pointed to what is going on in the US, the US Inflation Reduction Act 2022, which means that qualified green clean hydrogen will produce up to \$3 per kilogram of hydrogen from 2023. That is really good. That is the stuff which really gets investors going. We are nowhere near that, are we?

Grant Shapps: The poorly named IRA Act in the States is very recent. After years of having been neglected in that marketplace, these investors that you are talking about have suddenly seen what they are doing. I know that WTO and others will be interested in the way that assistance is being offered, and I know there will be some discussions. Inadvertently, there may have been some unfair competition elements to that as well. Up until now, as you say, we have very much had a strong lead. We intend to not give that up lightly or easily. I would not think an Act passed within the last three months overturns years of very good work getting ahead in this field.

What you are asking is, do we have the desire and the willpower and indeed the money with the investment the Permanent Secretary mentioned, the £240 million? The answer is yes to all of those. I can reel off a list of any number of very exciting hydrogen projects in this country, including by the way, the world's first hydrogen aircraft that has just flown, and another one also in the UK down in the Cotswolds, which is about to fly. We have the first and second in this technology area. Now we must capitalise on it, but I do not think we should kick ourselves too hard.

Q169 Alexander Stafford: There are clearly two ways of looking at hydrogen. One is the technologies that will use hydrogen—and you mentioned just now planes, and I know BEIS is working with Toyota to develop some—but also boilers as well. What is the situation with hydrogen-ready industrial boilers? Surely, there should be legislation in place that any new boilers should be hydrogen-ready, because that will be part of the process. What is the Government's view of hydrogen-ready boilers?

Sarah Munby: That was part of what we published today, proposals which of course will have to go through due process, to do exactly that, to make all new boilers hydrogen-ready. It is also worth noting, while we are on the topic of boilers and hydrogen, that we are due to make a decision on blending hydrogen into the grid in 2023. That will be another important milestone, building, as you say, on both the supply of hydrogen and the usage and demand for it.

Q170 Alexander Stafford: I saw the report about the hydrogen-ready boilers. Is that to say the Government is going to make all new boilers have to be hydrogen-ready. What is the timescale on that, please?



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Sarah Munby: That is the proposal we have put out today.

Grant Shapps: We need to consult on it. We cannot simply go—

Q171 **Alexander Stafford:** Do you have an aspiration of when this going to happen?

Grant Shapps: It would be possibly 2025, mid-decade, but we have to wait for the outcome of the consultation. Again, just for clarity, the proposal about mixing hydrogen into the system is potentially for 20%. Again, this is why we are consulting on it, but actually we have a pretty good record with hydrogen so far, as you have identified. You are right to keep us on our toes about it. I spend all my time thinking, "Are we going far and fast enough?" We are creating entirely new markets and entirely new infrastructure in hydrogen, much of which does not exist for its current usage.

Q172 **Alexander Stafford:** Indeed. You keep talking about consultations and things like this. I had the first ever dedicated hydrogen debate about two and a half years ago, when the Minister basically said pretty much the same thing. We talked about hydrogen-ready boilers. We talked about blending. Here we are, two and a bit years on, and we are having another consultation about hydrogen-ready boilers that will come online potentially in 2025. We are being a bit too cautious, are we not? Other countries, even with the IRA, are going ahead. We are just being a bit too cautious. We are losing our natural advantage.

Grant Shapps: I do not accept that, actually. If you look globally—and perhaps I will take this away for my own interests as much as the Committee's, and have a look at where other countries are on things like blending their gas supply with hydrogen, or indeed hydrogen production, or indeed the sort of 5 GW and 10 GW pledges that that we have made—for the reasons I outlined, the UK is very well positioned to deliver on hydrogen in a way that other countries are not.

You are right to point out that there is of course competition from elsewhere. France, Germany and the United States are all waking up to the possibilities as well. If we simply went straightaway to say, "All boilers are going to be hydrogen from X," without consulting very carefully on it, I do not think the outcome would be one that this Committee or the country as a whole would welcome. With new technology, or with a new implementation of old technology, I should say, it is worth implementing properly and carefully.

Alexander Stafford: I completely disagree with you, because we are not saying all boilers should be hydrogen; they should be hydrogen-ready and have the possibility.

Grant Shapps: That adds a cost to it, which we must recognise before we go and add that cost.

Q173 **Alexander Stafford:** It also costs not to do anything. However, moving



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on to the actual amount of hydrogen we need, we mentioned hydrogen production aiming for 10 GW. National Grid Gas has suggested that they needed Government commitment from 120 GW to 130 GW. That is over 10 times what the Government is proposing, and that is to stimulate long-term research and innovation. That is a huge difference between what the Government is promising and what National Grid Gas want.

Grant Shapps: I do not know if you have anything to add.

Sarah Munby: I am sorry, I do not have the National Grid request in front of me, so I do not know exact timescale, scope and so on. Clearly, we could come back to you.

Q174 **Alexander Stafford:** You do not know what National Grid Gas wants?

Sarah Munby: Specifically, I do not have that hydrogen number in front of me.

Q175 **Alexander Stafford:** If you put that exact number aside, is 10 GW enough?

Grant Shapps: In terms of the overall energy mix, which was in the plan, which showed how much nuclear we want, how much offshore or onshore hydrogen, it is part of an overall plan. There are trade-offs between where you make investments and so on, but if we have an active marketplace, it is not a cap. It is not that we are saying, "There can be no more than 10 GW produced by 2030, and if there is, we will cut it off." Let the market bring forth, would be my attitude towards that.

Sarah Munby: Of course, it is a 2030 number. We would see the hydrogen economy as something that is going to continue to grow at a very fast rate after 2030. We are in the early foothills of something that will, I am sure, reach the sorts of numbers that you are talking about ultimately, but that target is 2030, which, in hydrogen terms, is quite soon.

Q176 **Alexander Stafford:** Going back to hydrogen production, have you thought about doing contracts for difference for hydrogen production to try and get the market simulated? Is that something the Department is going to be looking to take forward? It was so successful with wind, as we know.

Sarah Munby: We have spent a lot of time thinking about the right business models for hydrogen production. I mentioned what we put out today on hydrogen transport and storage. The current mechanism, the industrial decarbonisation and hydrogen revenue support scheme—I am sorry, it is a not very catchy name; you can call it IDHRS for short, if you like—is the current preferred mechanism for providing revenue funding. That balances with the capital funding that I talked about. Clearly, the mechanisms will evolve over time, exactly as you say, in the way that they have in the power sector, which is more mature.

Q177 **Alan Brown:** In order to achieve the 50 GW offshore wind target by



2030, the Government has agreed to make changes in the consent process to speed it up. When it comes to consent in Scotland, the actual legislation behind it is reserved to the Westminster Government. Will you pledge to work with the Scottish Government to get the relevant changes in place to allow the consent processes in Scotland to be sped up as well, possibly even amendments to Energy Security Bill?

Grant Shapps: We are certainly approaching energy as a UK-wide issue, because we are completely interconnected, as you recognise. I am very keen to do whatever we can to speed that up, and the Permanent Secretary previously mentioned an approach which was being taken to try and speed up permissions from four years down to a year.

Sarah Munby: That is right. That is the commitment in the British Energy Security Strategy to accelerate planning from four years to one year. You are absolutely right, we will need to work closely with the Scottish Government.

Q178 **Alan Brown:** That is right, else there is a risk that the consent process is sped up in England but Scotland is left behind. We need to deliver that energy in Scotland as well.

Grant Shapps: I would certainly be very keen to work with maybe you and Scottish Government colleagues to deliver that speed there as well.

Q179 **Alan Brown:** The previous Secretary of State did nothing about pumped-storage hydro, which would provide long-duration storage, which is ideal for balancing the renewables. He actually dismissed it as a "Scottish technology". There are schemes ready to go in Scotland: Coire Glas, SSE, the Cruachan extension with Drax. Can we commit to sitting down with industry and discussing a cap and floor mechanism so they can get these projects up and running?

Grant Shapps: I have discussed that specific scheme with SSE already. I committed to taking our conversations forward. I do not think I have anything specific to say about the cap.

Sarah Munby: You might have seen our response to the call for evidence on long-duration storage. That response talks about working on a cap and floor mechanism to try to make it easier for long-duration storage developers, recognising that at the moment they have to put together a patchwork of different revenue sources.

Q180 **Alan Brown:** These schemes are ready and can be built within the decade. Are you willing to commit to setting a 1 GW target for tidal stream energy to be in place by 2035?

Grant Shapps: Without wishing to say off the top of my head, "Yes, and here you go," we have set out for this next stage up to 2030 how we intend to approach things and what we think the balance should be. I think often when Government says these things, people think, "That is it. There is somehow a cap on our ambition and we do not want to go



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further; or as new technologies come along, they should not be able to help in the mix." That is not the case at all. I want to see new innovative technologies taking part in this. I am technology interested always, so where there are interesting and convincing schemes, I am always interested to hear about those. In my first weeks in this job, I have not taken the view, "Oh, that was not in the plan. We cannot look at it; close door," but I do not think I can commit today to a new target that I have not previously considered.

Q181 **Alan Brown:** Industry reckons that target would send a good signal to investors, so setting that target is something to consider, because there are so many other targets set for renewable energy generation.

Grant Shapps: I am very happy to take it away and have a look at it in more detail.

Q182 **Alan Brown:** Okay. You mentioned EV, electric vehicles, earlier on. In terms of EV charge points, the Government has a target of 300,000 charge points to be installed by 2030. At the moment, there are only 35,000 in place, and we never achieve any more than 7,000 installs a year. If you project that up, we need to install over 40,000 charge points every year to hit that 300,000 target. What is the Government going to do about what effectively is an abject failure on that pathway at the moment?

Grant Shapps: In my previous role, when I became Transport Secretary, there were something like 15,000 electric chargers, publicly available ones we are talking about here, because there already are probably 300,000-plus privately installed ones in people's homes. By the time I left, it was over 30,000. It is 35,000, as you say, so we had seen it double. Our target was to 10 times that again. The finance to do that was in place. There was a very large multi-billion pound programme to achieve that. I forget the figure, but I think £2.4 billion is the right number.

Q183 **Alan Brown:** If the funds are in place, how come the number of installs is nowhere near the number that is required?

Grant Shapps: Again, this is slightly anecdotal, and I am a little bit shy of mentioning it in case the Chair objects, but I do know, having driven around in an electric car for the last three or four years, that I find it easier now to find an electric charger than I did previously, even though there are far more electric cars competing effectively for that electric charger. The increase in charge points is designed to map the increase and stay a bit ahead of the increase in battery electric vehicle purchase, or plugin purchase, I should say.

Q184 **Alan Brown:** It is still nowhere near the target or the pathway to the target the Government has set.

Grant Shapps: The point I am making is, that is because it is not a straight line thing. It ramps up, simply for the fact that so does where we



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expect the mandate to go in terms of battery electric vehicles being sold. Of course, it is backloaded to get to the 300,000, but for good reason it would be pointless building them when there are not sufficient vehicles to use them.

Q185 Alan Brown: If we move on, obviously nuclear energy is central to the Government policy. Can you name one successful EPR nuclear station that operates in the world?

Grant Shapps: I do not think I can, after my limited time in this job. Can you, Permanent Secretary?

Sarah Munby: Finland and Japan both have—

Q186 Alan Brown: Finland's is still not operational. It is going to be 14 years behind schedule by the time it operates in the grid, because it has found more problems. As far as I can tell, there is no successful operating EPR nuclear power station in the world. Why, therefore, does the Government want to get into negotiations for Sizewell C before Hinkley Point C is up and running, when there is no successful station operating anywhere?

Grant Shapps: We can go right back to basics. We know this was the first country in the world to open a nuclear power station. At its peak, it successfully powered nearly a quarter of our electricity. We know France have gone, and continue to go, a lot further with their own energy production. I do not think the only energy production we should be going for is nuclear, but I do think a good mix makes sense, and many of our stations are retired or retiring very soon.

It was absolutely the right decision, and I was proud to make it the week before last, to put the first Government investment in since 1986 to make sure that Sizewell C can come to fruition. The big advantage of Sizewell C is it will be based on Hinkley Point, meaning that the costs will be lower to produce it as well. I suspect that your objection has something to do with nuclear power rather than a particular model.

Q187 Alan Brown: I am against it. I like to use evidence-based as well. You are saying Sizewell C will be based on Hinkley C and it will bring costs down, but Hinkley C is 50% over budget and it is years late. Can you explain why the Government has just agreed to put the backstop date for the possible termination for Hinkley Point C back to 2036? The CfD contract was supposed to kick in, in 2030, and that has now been put back six years. Why are we giving EDF such leeway?

Grant Shapps: There is quite a technicality behind that, which the Permanent Secretary may know. If not, I will write to you, but there is a specific reason why it was put back, and it is not quite as it was reported in the newspapers. Did you see that?

Sarah Munby: Yes. It relates to the finalisation of the negotiations on Sizewell C.



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Grant Shapps: I saw the story in the newspaper, and I queried it a week or two ago. It was presented as if it was therefore behind schedule, which is not the case with Sizewell.

Q188 **Alan Brown:** If it is not behind schedule, why give a six-year grace when it is year 3 of the contract? That makes no sense.

Grant Shapps: Again, I suspect you may be arguing this rather from your perspective on nuclear energy.

Alan Brown: Evidence-based.

Grant Shapps: The evidence is, if you look at France, they have, at their peak, 77 reactors. They powered themselves reliably over a long period of time, notwithstanding the fact that quite a number—

Q189 **Alan Brown:** I am coming to that reliability. Can you tell me, on average, how often a nuclear reactor goes offline each year?

Grant Shapps: I was about to say, notwithstanding the fact that they have had a lot of downtime recently with their ageing fleet—

Q190 **Alan Brown:** In the UK, how often is each reactor, on average, out per year?

Grant Shapps: Any energy source has its downtime. The same can be said of wind, which I am a huge enthusiast for, but unfortunately the wind does not always blow, or solar or nuclear.

Alan Brown: Over a 10-year period, each nuclear reactor is out nearly 25% of the year, so nuclear is not always there.

Grant Shapps: I do not suppose we get the wind blowing or the sun shining 75% of the time. As we have seen, even with things like gas or coal, there are shortages in supply due to things which are outside of our control, including the war in Ukraine at the moment. No energy provision is 100% reliable; I agree with you there. That does not mean that we should not ever invest in any of it.

Q191 **Alan Brown:** How much money went to China General Nuclear to buy them out?

Grant Shapps: Have we released the figure? No. It is still confidential at this stage, but I will come back to the Committee having taken advice on what I can say from a commercial perspective.

Q192 **Alan Brown:** When it comes to the final investment decision, is the UK Government possibly taking a 20% stake in the actual construction?

Sarah Munby: Final decisions will be made at the point of final investment decision.

Q193 **Alan Brown:** Is it open that it might be taxpayer-funded as part of shares in the consortium?



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Grant Shapps: Again, we will have to wait until we get to the final investment decision. That is the point of a final investment decision. You are asking me what is the outcome going to be of something which has not happened yet. As I say, I suspect that you have a different view of this form of energy production. My view is that nuclear can provide a very helpful baseload for the right kind of energy mix in this country. We think that nuclear can and will provide just under a quarter in the future, potentially, but we recognise that it should be a proper mix of energy sources. I am proud to say we are the country that has the most offshore wind in the world and are world-leading in that regard. I do not want to put all of our energy eggs in one basket, ever.

Q194 **Chair:** Thank you. Just to confirm, you will write to us about the China General Nuclear buyout.

Grant Shapps: Yes. I will have to take some advice.

Sarah Munby: It will probably be a relatively uninformative letter, because we are not releasing that number into the public domain.

Q195 **Chair:** Why not?

Grant Shapps: It is commercially sensitive.

Q196 **Chair:** Commercially sensitive to whom?

Grant Shapps: I imagine to the commercial parties.

Sarah Munby: Both EDF and CGN.

Q197 **Chair:** Okay, so CGN and EDF have not consented to you telling us how much taxpayers' money has been spent buying out CGN?

Grant Shapps: I will ask them. I will find out and take advice on what I can legally do. I am not trying to be evasive. I know the number and I would love to just blurt it out, but I had better check first.

Q198 **Chair:** You have Parliamentary privilege. I imagine the Public Accounts Committee will be interested as well. Whether it is us or them, as long as somebody is informed.

Grant Shapps: Of course.

Q199 **Chair:** On Sizewell—because I have never quite figured out how we are paying for it—when is the final investment decision going to be made so that we understand the answer to that question?

Sarah Munby: The exact timing will of course depend on progress in working with private sector investors in order to reach the position where we have a fully funded position. Off the top of my head, we are expecting 2025, 2024.

Q200 **Chair:** It is basically open-ended until we get enough people putting their hands in the pockets to pay for it?



Grant Shapps: When we look around the world at how other new nuclear power stations have been built in recent years, one thing we have noticed is that sometimes they have rushed this next stage, the build and design, and ended up regretting not being in a more ready state for the construction itself. We do not want to repeat that mistake, so I am more interested, for your information, in making sure that we have the detailed planning in place for this construction than I am in rushing the finance side of it right now.

Q201 **Chair:** That is reasonable. Lastly, I understand financing for Sizewell will use the regulated asset base model, which involves putting some levy on customers' bills. Do we have any indication at this stage how much per year is likely to go on the average energy bill in order to pay for Sizewell?

Sarah Munby: During construction, it is about £1 a month.

Q202 **Ruth Edwards:** Secretary of State, I would like to discuss a topic that is on a lot of people's minds this week: energy efficiency. Obviously, the Government has made good progress on approaches to make public buildings more energy-efficient, although the House of Commons could do with some work, and also social housing, but successive schemes to make owner-occupier homes more energy efficient have not been successful. What is your assessment of the reasons for this?

Grant Shapps: I agree with you, particularly on the owner-occupier side. We have seen over many years different attempts, well-meaning and sometimes carefully thought through. In Opposition, in the case of the Green Deal, I was one of the people who thought it through, and we even legislated for it, but one way or the other we did not quite get the supply chain into it right and it did not quite deliver what we wanted to see. That is to separate it from some of the schemes that have been in place to deliver greening up of other forms of housing. Social housing schemes have been much more successful.

To answer your question, my sense is that where you have, for example, the landlord that is able to act on bulk or mass and perhaps do the same thing in each home, we have seen relative success. Where we have had individual landlords, or just individuals having to act, it is much more messy and complicated. They cannot just take the same thing as they did next door and do it in the next house, so we have seen it being much harder to get off the ground. Using that history, some of which I was loosely involved with many years ago, is leading me to think very carefully about how we roll out this next set of schemes, including the ECO+ scheme, which was announced in the autumn statement.

Q203 **Ruth Edwards:** On the autumn statement, the Chancellor announced about £6 billion as part of that scheme, if that is correct, but my understanding is it will not begin until 2025. Can you expand a bit on what the money will be going towards, but also why we have that waiting period in between? What is that time going to be used for?



Grant Shapps: The simple answer is we already have £6.6 billion being invested now, not to be confused with the next £6 billion, which is 2025-28. We will be announcing more details about that 2025-28 scheme nearer the time. Meanwhile, I am very anxious that we get on with investing the money that we already have to get the maximum possible output. Part of that is energy efficiency by owner-occupiers; part of it is the social sector, which has probably been the more successful side of this; and part of it is the private rented sector where regulation is also part of the solution.

Q204 **Ruth Edwards:** What are the current policy options being considered for owner-occupier homes?

Grant Shapps: You may have noticed we have had these ECO schemes, which are Energy Company Obligations. We have had ECO 1, 2, 3 and 4. One of the things we wanted to do with ECO+ is to broaden out the scope, so that anybody will be able to apply who is in a situation where their home is essentially cold and does not have the energy efficiency. I am trying to get, if you like, to the mass of the market in the middle now, rather than some of the schemes up until now which continue but are more about home upgrade grants and the local authority delivery approach to this and the social housing decarbonisation fund.

Q205 **Ruth Edwards:** From my research on the subject, the problems tend to stem from the fact you have high upfront costs but also a very long period of payback in terms of the return you are seeing on your investment. When it comes to supporting owner-occupier homes, because the sums for people to do that are enormous—I believe about £8,000 is the average price—is the Government considering options like retrofit as a service, stamp duty rebates for energy efficiency or demand aggregation schemes?

Grant Shapps: Essentially, some of those schemes group houses together or streets together and have everyone club in. There are some really interesting ideas around there. Obviously, one or two of those things, like stamp duty, would be a matter for the Treasury as well, but I am looking for innovative ways, particularly as we look towards that next £6 billion, of cracking this nut.

For unfortunate reasons, we are going to be somewhat assisted by the current high energy price in this, because the repayment periods have sometimes been very long—it is one of the reasons why the Green Deal struggled 12 years ago, because if you tell people the repayment period is over 10 or 20 years, it just seems such a long way away—and sadly, because energy prices are so high, repayments can be a lot faster now. There are a lot of measures, particularly in the homes which have an energy rating D and lower, that can do relatively small things to save quite a lot of money. As a product of very high energy prices, there are what you might describe as low-hanging fruit in energy installation matters which can help drive this market, particularly at this moment in time.



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Sarah Munby: If I could add one thing, very much along the lines you are discussing. We are really interested in the question of how we can expand the private finance market in this space. There are some green mortgages already available in the market, but what else can you do with the retail banks? We are working closely with the UK Infrastructure Bank as well on that, to look for solutions to help people with the upfront cost that may not be directly through a Government scheme per se.

Q206 **Ruth Edwards:** Those are excellent options to explore. Do we have a timeframe of when we might have a decision as to which ones you are going to try and encourage or incentivise people to take forward?

Grant Shapps: Certainly, with regards to that £6 billion by 2025, it is a bit early. We have already set out one, two, three and four on the ECO schemes. We will be laying out further details on ECO+. The Chancellor talks about it in the autumn statement, and it will not be long. The other thing I wanted to point to is the Chancellor set out a target of 15% reduction in energy consumption from buildings and industry by 2030, and so we are already ramping up ways to deliver on that as well through the energy efficiency taskforce that will be set up.

Q207 **Ruth Edwards:** ECO+ will not be long. Is that weeks? Is that months?

Grant Shapps: Presently, I think is—

Ruth Edwards: In the fullness of time, at the appropriate—

Sarah Munby: The consultation on ECO+ is out now.

Ruth Edwards: Okay, excellent.

Sarah Munby: Even better than imminently.

Q208 **Ruth Edwards:** Well done. On the issue of Departments working together, you mentioned just now stamp duty is a Treasury issue, and there are many issues in this particular policy area that cover more than one Department. How is Government working together to address the issue? My understanding is that in order to deliver on our target of having every home EPC C by 2035, we are basically going to have to upgrade two houses per minute for the next 13 years, which is a pretty challenging target. At the moment, I do not think we are on course to meet that. I would be really interested in your assessment of how much on target we are, if there is any measurement of that, but also how you are co-ordinating with other Departments.

Grant Shapps: The first thing I want to say is, I referred to my time in Opposition and then when we came into Government in 2010. It is worth saying between 2010 and 2020, so the 10-year period, the number of EPCs at band C had increased from 14% to 46%. Sometimes people think nothing is happening. Unfortunately, we have the legacy of a lot of Victorian homes—great as they were at many things—which were not



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built with energy efficiency in mind, but 46% means we have made significant progress, and we still have between now and 2035.

One observation that I make is, we have far more engagement with interest from the Treasury now than at any time I can remember in the period since. To have the Treasury say, "Let us have a 15% target for energy efficiency improvements by 2030 over and above what we are going to do," is unheard of. Of course, the reason is, this is all of a sudden in everybody's national interest, particularly in terms of the amount of money that we are spending on energy as a percentage of our GDP, which has shot up. The joint working has been really great. We are working very closely with the Chancellor. We are talking about this every week now and building the plan to deliver it, so you can look forward to a lot more of this in the new year.

Q209 Ruth Edwards: Excellent news. Is there any formal mechanism for that cross-working or is it more ad hoc?

Grant Shapps: There is an energy efficiency taskforce that will help lead the national effort. There is a proper plan going into place, which we will announce in more detail.

Q210 Ruth Edwards: Staying with the subject of energy, I would like to put to you one of the issues that has been flagged to us as part of our decarbonising the energy grid inquiry. We have had renewables providers like RWE in front of the Committee. They think we are not on course to hit our target of 50 GW of offshore wind by 2030, largely due to a lack of connection offers before 2030, but also planning constraints, which is making it difficult to expand and upgrade the grid. What in particular is BEIS doing to tackle these obstacles? Are you working with DLUHC on the plan yet?

Grant Shapps: I saw that RWE comment, actually, and I was quite interested. It made me go back and look at the numbers. At the moment, we have 13.1 GW of offshore wind. You will know that we have said we want to get to 50 GW of offshore wind by 2030 that they refer to. Interestingly, in the pipeline either applied for or being applied for, there are 75 GW. On the pure question, can we see where this would come from potentially? Yes, we can.

Now switching to the nub of your question: how are we going to make sure that it can connect to the grid? I mentioned these energy champions that we have in response to a question before about hydrogen. We also have one on the grid side of things, and I am speaking to him about how we resolve problems such as the one that RWE have raised with the reality of 75 GW in the pipeline. It seems to me that if we know today in 2022 that we have 75 GW in the pipeline, we ought to be able to deliver that in good time. I need to understand that disconnect, and I have somebody on the project.



Sarah Munby: On planning, specifically as it relates to networks, we have the amended National Policy Statements across the energy system due very shortly. Beyond that, you will have seen that in the summer we published the holistic network design, that is about having a more co-ordinated approach to network infrastructure in the long term.

Yesterday, we launched the offshore co-ordination support scheme. That is about making sure that infrastructure can land in a more joined-up way in the near term in communities like East Anglia, where the planning challenges are most difficult. It is on the one hand streamlining the planning processes, making our policy intent clear as part of those statements, but also making sure the network is set up in a way that streamlines it and makes it as easy as possible for communities to grant consent to.

Q211 **Ruth Edwards:** That seems like a good way to tackle it from the evidence we have been given. The 75 GW in the pipeline, is that gigawatts that have a connection date to the grid before 2030, or are these gigawatts we hope to have?

Grant Shapps: For that, I am going to have to defer to experts, unless I am about to be handed a piece of paper with the answer.

Sarah Munby: Not all of those will yet have connection dates. It is absolutely fair to say, by the way, that networks have the potential to be a constraint on the deployment of wind. We would entirely acknowledge that. That is why it is both important to work directly on the problem and accelerate the deployment of wind and to make sure that this network's deployment is keeping up with it. That is why we have these two champions, one for wind and one for networks. As you can imagine, they work in very close partnership together.

Q212 **Ruth Edwards:** When you write to the Committee and follow up, would you be able to include in that how many gigawatts we have with a connection date before 2030 in the pipeline?

Grant Shapps: Break it down into individual—

Ruth Edwards: Yes, please. That would be good. I appreciate it is quite a lot of details to have off the top of your head.

Grant Shapps: I am sure we can.

Q213 **Ruth Edwards:** It would be great to get it in writing. There is one more question I would like to put to you about critical minerals. We had a session last week, and we were told that if gas supply is the issue today, then it is the supply of critical minerals which is going to be the issue of tomorrow, not least if we are going to successfully make this net zero transition.

We have been told that the biggest issue, for example, with lithium supply is that nearly all of it undergoes midstream processing in one



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country, and that country is China, which has been described as a systemic challenge to the UK. If we have more than 90% of all lithium hydroxide in the world going into electric vehicle production coming from China, what is the Government doing to diversify and strengthen our supply chains both for lithium but also for other critical minerals like rare earths?

Grant Shapps: I am chomping at the bit on this question, because I mentioned briefly before that I have been to green lithium sites about to be built in Teesside. I was talking to the owners there who are going to be able to do something with this intermediate step with the lithium, which is required before it can go into batteries. At the moment, as you rightly say, it is almost entirely reliant on Chinese supply chains. We are going to produce it in Teesside, and then it will be responsible for about 8% of Europe's entire lithium requirement from this single plant. There is another plant just down the road that is also being developed for the same purpose, so we have a really great opportunity.

I mentioned briefly, and I will re-iterate, the reason that we are able to do that here and steal a march on this is because we have been able to write our own health and safety case about lithium, apart from the health and safety that comes from the EU. We have been able to get a jumpstart on this by writing the case first and classifying it in the right way.

The thing which struck me in that very early visit that I made as Secretary of State is the importance of the supply chain and how we need to progress that further. I have also been having conversations with, for example, colleagues and Members of Parliament, who represent areas that have the potential for cobalt and other minerals that we need to extract. As was rightly said in the evidence, other forms of energy is the problem today; minerals could be the problem tomorrow, so we should do all those things.

Ultimately, I do not think that leads to our entire supply coming from these isles. I just do not think that is practical, but I do think it is really important that we have the processing facilities here as well as ultimately the gigafactories and production as well. Perhaps an insight into my view on industrial policy is that I think it is a matter of our own national security to achieve some of these things.

Sarah Munby: You will have seen in our critical mineral strategy, which came out earlier this year, we talk about the acceleration of UK capabilities right across the supply chain. That goes from extraction to end use in cars, for example, but it is also about international co-operation and working together. We are one of the founder members of the Mineral Security Partnership, with other nations around the world working to have collective policies, but also partnering with those countries who might be alternative sources of supply for some of these substances. We have a range of bilateral arrangements as well, quite recently, with a Canada courier, working more closely with the US, and



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we have had a relatively longstanding partnership with Australia. This is not a problem that we will solve alone. As the Secretary of State says, one component is building our domestic capability, but that international context is going to be really important as well.

Q214 **Ruth Edwards:** Do we have a quantitative framework for what good looks like? We are in a situation where you have a very high proportion at the moment of most minerals extraction and processing happening in China, 90% for lithium, but very high percentages for a lot of other minerals as well. Do we have any targets or metrics around what progress we want to make in both diversifying the supply chain but also moving more to not just our domestic capability but also our allies?

Grant Shapps: The minerals strategy, even though it was before my time, was our attempt to set out how we see this critical mineral landscape. There will be more work to do on that just as a more generic—

Ruth Edwards: I do not think it has success targets in it.

Grant Shapps: Yes, perhaps not. There is probably more work to roll out of that. To make a broader point, both coronavirus—because of what it did to supply chains, and is still doing to supply chains—and the war in Ukraine demonstrate to sovereign nations why we need to ensure that we are improving our sovereign capacity but also, as the Permanent Secretary was saying, improving our relationship with more reliable potential partners, particularly as the need for minerals is shifting to new ground as well. I think there will be a lot more work in this area.

Q215 **Ruth Edwards:** Are we expecting some sort of metrics?

Grant Shapps: I do not have a plan about to pop out the other end, but what I am trying to indicate is that it is an area where we are putting a lot of time, energy and thought to and your nudging will help us in the right direction.

Sarah Munby: We will be putting out a delivery update on our progress against critical minerals early next year.

Q216 **Chair:** Thank you very much. Very quickly, when you write to us afterwards, would you mind setting out who is on the Energy Efficiency Taskforce because I do not think that has been made public yet.

Grant Shapps: It has not been published as yet.

Q217 **Chair:** Okay. The £1 billion for ECO+, is that from existing budgets or is that additional funding?

Grant Shapps: That is a question I cannot really answer.

Sarah Munby: ECO+ is still funded.

Q218 **Chair:** That is going through consumer bills, not through departmental



spending?

Sarah Munby: That is right.

Q219 **Chair:** How much is that adding to customers' bills?

Grant Shapps: We can write back to you on this, but now you have said that it reminds me that all of the ECO schemes were funded in that way, so it is probably not going to be noticeable to the bills as they continue because this is a continuation of an existing programme. That does not answer the question in full and we will write back on that question.

Q220 **Chair:** There is a new £1 billion, right, that has come from somewhere?

Grant Shapps: Yes. But the old billions will have been dropping out as this new one comes in, so I do not think it will change the bill but we will definitely come back with the actual number.

Q221 **Ian Lavery:** Secretary of State, you are the common denominator on the chaos in this country at this moment in time. The country is on its knees, whether it be the CWU dispute, whether it be any of the strikes, whether it be the RMT dispute, whether it be the lack of progressing gigafactories. You are the common denominator in all of this. Many people believe that you are the man that could possibly come to some form of resolution if, indeed, you desired but, in many people's views, you would prefer the chaos to continue.

Can I just basically make reference to the CWU where it appears that, as the Secretary of State, you are the man behind Simon Thompson, ensuring that there cannot and will not be a resolution to the strike within the Royal Mail? The RMT, and I know it is not your remit now, Minister, but the fact that the DOO agreement was then thrown back onto the table, which seems to be the big issue, as to whether there could be a resolution of the dispute.

The rumours are that you are the man that insisted that this be the case with regard to the gigafactories, which I will come on to shortly. It appears as if you are the Secretary of State who is preventing investment in the gigafactories in this country. Is this justified? Do you think this is the case? Do you think it is justified that people say it, as the man behind the discord, the man behind the utter chaos we have in this country at this moment in time?

Grant Shapps: No.

Q222 **Ian Lavery:** Are you sure?

Grant Shapps: Absolutely. I do not agree with the premise of your question at all. Let me put it another way. We have the fastest growing economy in the G7 this year, as the Chair and I were discussing and disputing earlier. We have the lowest unemployment since 1974. We have the most unicorn start-ups of any country in Europe—Germany, France, and the Netherlands combined—and these are providing high-paid, high-class jobs. First of all, I do not agree with your interpretation.



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Secondly, when it comes to strikes, we did discuss it a little bit at the beginning. Look, I want this country to be able to move forward after what have been two or three really impossible years for reasons that are well beyond yours or my control. I think even you would not think that I was in control of coronavirus and the war in Ukraine, and those stresses and strains have created some very high inflation. The worst thing that we could do is follow the 1970s, which was to chase inflation and then end up not beating it and then everybody is in a worse place. It is the evil that destroys everybody's income. We are having to be in a situation where, in order to make pay improvements, we have to get productivity improvements.

There are a number of industries, rail, which you mentioned, is a good example, probably Royal Mail as well, where, fortunately, there are lots of good productivity improvements which can be put in place. In rail, for example, it is no longer necessary to send individuals walking down the track, knocking on the rail, to see if the rail is in good condition. That can be done by a train that can take 70,000 images per minute to check it. You do not need to send out two vans when only one van is required. You do not have to pretend that it is a different region between Kings Cross and Euston. There are modernisations that, if accepted by the rail unions, could lead to a settlement, but it takes two to tango. I am not the Transport Secretary, and I certainly have nothing to do with what is or is not on the table, though I would broadly comment that in this day and age I cannot see why it is less safe to have trains run with drivers operating the doors. It is in fact statistically safer and both RMT and ASLEF unions agree. It happens on all sorts of lines, including the line that my constituency happens to be on, and is perfectly acceptable and perfectly safe.

I want these strikes settled. You mentioned the Royal Mail as well, which obviously is an independent company but, again, there is lots of modernisation of practices and machinery and things that can help with mail delivery. I am pleased to see that, for example, parcels have gone from something like 10% up to 70% in terms of automation for routing them in very little time. There are modernisations that can help.

I just want to clear up—since you have given me the opportunity in your quite wide-ranging question—a point about gigafactories because I have seen it incorrectly reported that, somehow, I have reneged on behalf of the Government on paying out money that has been promised to build a gigafactory in the north-east. That is categorically untrue. There is money available. It has always been available. There were certain landmarks that needed to be reached in order to make those payments under due diligence. My Permanent Secretary would not allow those payments to be made if those particular milestones had not been reached, and they have simply not been reached.

This is the only reason the money has not been paid. I would be delighted if the milestones were reached, the sooner, the better. I remain



completely supportive. I have had a conversation with the company involved in order to say exactly that and I think they, broadly speaking, accept it is the case, but there has been no money withdrawn. The money is still available. We simply need the milestones met in order to pay out your, my and everybody else's, taxpayers' money.

Q223 Ian Lavery: I will come on to the gigafactory very shortly, but sticking with the Royal Mail and other workers, as an individual would you accept a 4% pay rise this year, a 4% pay rise next year and your P45 the year after? That is what is facing many people within these disputes at this moment in time. It is not just about wages. It is about future employment. It is about secure employment. It is about health and safety. That is the issue. That is why it appears that these disputes are not being resolved. It is not simply about chasing inflation. It is about the future employment of lots of people in these industries. I will not mention transport at this moment in time. I will just say the CWU has the potential to lose 25,000 jobs in the Royal Mail. That is not acceptable. The question would be, as an individual, would you, honestly, accept a pay cut, a below inflation pay rise this year, next year, and your P45 the year after?

Grant Shapps: All I would say is that, as I mentioned before, we can get into a 1970s sort of pay—

Ian Lavery: Secretary of State, this is not the 1970s. This is 2022.

Grant Shapps: You asked me about what I would say, and I would say the same as you. You have accepted, I think, a 3% pay rise because you are an MP and that is the pay rise you got. As Ministers, we have had a pay freeze for 12 years, this year included, and a 5% pay cut before all of that. Of course, we want to be able to provide pay rises. Actually, this Government has been accepting the pay increases suggested by independent pay bodies where that has been available, not in the case of the Royal Mail, but elsewhere. We are trying to be reasonable. We are trying to accept those recommendations. We need to keep an eye on what is happening in the private sector pay increases as well, and try to ensure it is fair and reasonable for everyone. To govern is to choose, and if you were to simply say, yes, we will do this, this and this then, of course, the upshot is everybody's taxes will need to go up, we think by about £25 billion, in cases.

Ian Lavery: You know that is not true. You know that is absolutely not true.

Grant Shapps: You may have information the Treasury does not, but that is the Treasury number I saw.

Q224 Ian Lavery: Of course. You know that definitely is not true. Minister, with regard to the CWU, under the Postal Services Act 2011 there is the universal service obligation, which is the six-day postal service. I understand that Royal Mail have approached the Government with regard



to reducing that from six days to five days. Can you say whether that has happened? Have they approached you and what has the response been?

Grant Shapps: Yes, and the answer is no.

Q225 **Ian Lavery:** That is absolutely fine. Basically, is that a guarantee for the future?

Grant Shapps: There is a process. Ofcom have to look at this. It is not an issue directly for Ministers at this time and if it were, then it would have to go through Parliament, so it would be an issue for all of us. There are no plans to switch from six-day delivery. I have answered you straight, and I answered Royal Mail straight when they asked me the question.

Q226 **Ian Lavery:** You mentioned before that, as a young fellow, a long time ago I must say, you were a businessman and you used to go to bed and could not sleep because you were thinking about how you might be able to pay the wages of your staff. That is understandable, but there is a difference between that and financial mismanagement, is there not? Big style.

I wonder if you agree that Royal Mail, and the performance of the Royal Mail Chief Executive Simon Thompson in particular, is absolutely unreal, and wonder what you think about it. The figures are Royal Mail's holding company, IDS plc, posted record operating profits of £758 million up to the year March 2022. They paid £567 million to shareholders in dividends. Then, just six months later, they reported operating losses of £57 million with the operating profit of Royal Mail collapsing from £235 million in the half-year to September 2021 to a loss of £219 million in the half-year to September 2022. This is absolutely incredible. Do you agree with me that this is mismanagement of the highest order and there should be questions asked of a cherished institution like the Royal Mail?

Grant Shapps: Look, I think Royal Mail is facing many challenges, not least the very long-term change in the way we communicate with emails, WhatsApps and the rest of it nowadays, so that changes their world hugely. The numbers that you are referring to, I imagine, cover a period when they were very much involved in the Covid efforts, with a lot of packages being sent physically backwards and forwards.

Q227 **Ian Lavery:** When we were clapping for them on a Thursday night and then you see the situation we are in now, is that the time you mean?

Grant Shapps: All I am trying to point out is they probably were very busy. People were very busy sending parcels backwards and forwards in the mail, and that work will have, thankfully, tailed off. Look, they are a business that, apart from operating privately, have a universal postal obligation. As I have already made clear to the Committee, I want to see that obligation continue. They need to sort out their finances. You very rightly cite the fact that they made profits in the good times, and that is the thing when you are in business, you sometimes have to put up with losses in the bad times.



I believe that modernisation is the way to make a profitable business that the whole country can be proud of and treats its staff well and the rest of it. There are quite a lot of areas in which the postal service can continue to modernise. I gave the example of parcel automation. Within that figure I mentioned, they got to 70% of automation. Last March, it was only 33% automation. They are making some good strides forward and that is what they will need to do as a business. They need to manage themselves and work with their employees to get to the right solution. I encourage the workforce, the CWU and the management to get round a table and get this thing resolved in the interests of all the staff of the business and the country. That is my simple message to them.

Q228 Ian Lavery: Have you had a word with the Chief Executive about his tweets and his mind games with hard-working posties? He is putting the tweets out. A lot of these people are really upset by the mind games. An individual is playing with ordinary hardworking people who feel very much offended. A lot of people are under tremendous stress with the crisis out there, and playing mind games on social media platforms with them is not the right thing for somebody with a huge salary like his to be doing. Have you had a word with him? Will you have a word with him?

Secondly on that, I am sure you have watched the Twittersphere—like all MPs are absolutely addicted to—where the Chief Executive of Royal Mail, again, this cherished institution, was doing an interview and it was seen that somebody was writing the answers on a whiteboard. I am not sure if you have seen that. Is this the right way to run a company like Royal Mail with 32 million people who it services fantastically well? What would you say to Simon Thompson?

Grant Shapps: You are enticing me to comment on the management of an individual and you have put your case on the record about him. All I would say is it is in the country's interest to see this dispute resolved and settled. It is a business and private investment. They have shown a route forward for things like the automation going on. I often visit my posties at Christmastime. I do not think anyone wants to be, or should be, on strike this Christmas, and I want them all to get together. Good management needs to be built from the company, but I also hope the unions get around the table too and get this thing settled.

Q229 Ian Lavery: Can I move to the gigafactories situation? Can you say what progress has been made with regard to the Government goal of eight to 10 gigafactories between now and 2040?

Grant Shapps: I would say that there are a number of proposals, some of which are known about and some which are not, which are at different stages of development. You already mentioned, I think, the one in the north-east you were referring to, and I told you the situation there. There are others down in the south-west, in the midlands and in the north-west where some production goes on. There is already quite a lot happening and we are probably in that stage just before we see specific activities as well.



Q230 **Ian Lavery:** Secretary of State, you mentioned before the way you like to compare other countries and you have done it four or five times with different examples today. Can I just tell you what sort of support other countries are giving to companies who are developing gigafactories? In Germany, CATL are getting grants of €750 million. That is 22.8% of the total cost. Northvolt in Sweden, €505 million. That is 17.1% of the build. North America, GM, \$2.5 billion, 36.2%. The list goes on and on and on. As I mentioned before, it seems as if there is not that support for the gigafactory. One of the only gigafactories that have actually got planning permission, they have the landscape, they have the project, because of the Government, because of a decision made by yourself, you were not even prepared to bring part of the £100 million that had been allocated forward—£30 million of it—to secure that project.

Grant Shapps: No. I absolutely need to correct the record of the House in this regard. We laid down very specific milestones that the organisation concerned agreed to, which needed to be met to pay out public money without my Permanent Secretary requiring a direction to do so, which would be quite extraordinary in something like this, and I would be up in front of your Committee or the PAC—or the Permanent Secretary would be—had I have done so. Can I make it very clear so this accusation does not continue to be repeated? The money is still available. The milestones have not been met. We would certainly be left with many questions to answer from those watching if we were to give over your taxpayers' money without having those agreed milestones met. Nothing from our point of view has changed. The money remains available for this organisation.

Please, let us not keep saying that somehow we have reneged on or pulled the money. We have not. You are right. That is very significant sums of tens of millions of pounds, and that is only one of the schemes. Also, £850 million funding for electric vehicle and supply chain, people like Envision, Nissan, Ford, Halewood, Savanta, Ellesmere Port and others are all benefiting from our plans.

We also have money going into a lot of the infrastructure and research side of things. For example, the automated funds, the Faraday battery challenge, the advanced battery research work that we do as a nation. When I talk to vehicle manufacturers, they are not just looking for the plot of land and a bung, what they actually want is an ecosystem that supports the innovation and the science behind it. This country is doing huge amounts of work in that area. Most of all, I must insist that the record properly reflects that that money is still available for the particular gigafactory you are referring to, the particular site, but public use of money would be abused if I were to do what you were suggesting.

Q231 **Ian Lavery:** I am under notice, but I have to say that I did not say the money had been withdrawn because I understand the situation that £100 million has been awarded and that certain milestones have to be reached and certain boxes have to be ticked before they get that finance.



Grant Shapps: Absolutely.

Q232 **Ian Lavery:** It was a matter of survival in an area like mine, where this could create 3,500 jobs, plus a further 5,000 jobs in the supply chain, goodwill, secure jobs, good wages, terms and conditions. Did they or did they not ask the Government if they would consider bringing £30 million of that £100 million forward so they could ensure that the project could continue? My understanding is that you refused that and put that plant in jeopardy and I have to say it is not good enough.

Grant Shapps: No, and it is not correct. It is correct that there were a series of different requests but, as I have tried to explain, if we had made a payment it would be like me having no public accountability to that funding and saying, "You have a plan, here's some money." It would have been completely wrong without milestones being reached.

I do not want to betray commercial confidentialities, but I want to reassure you that I am straining every sinew to deliver on that plant, on that factory. I want to see it happen. My stance is to be proactively enthusiastic and I have met with the company involved and I think that they understand as well, and will probably even accept what needs to happen to get there. I do not want to say something publicly which makes that harder for them to do.

I hope you will accept that, with the best will, I could not make a payment on the basis that was being proposed. I very much hope to be able to when the right plan and the right milestones are in place as previously agreed and accepted and reasonable and, most important of all, subject to sign-off for proper use and accountability of public money. I do not know if there is anything the Permanent Secretary wishes to say.

Chair: Hopefully not. We really have to move on I am afraid. Jane Hunt, please.

Q233 **Jane Hunt:** Thank you very much, Chair, and just to declare I was a previous Minister for Small Business, and I am currently the Chairman of the APPG for small and micro business. Following on from that gigafactory comment, ATF funding is still available is it not?

Grant Shapps: Yes.

Q234 **Jane Hunt:** Thank you. I am hoping to have a hydrogen fuel cell gigafactory myself in Loughborough and have to mention it, of course, because we have now mentioned every gigafactory we have. Do you know the likely timescales on ATF funding in general and when those programmes are going to be coming in place?

Grant Shapps: The answer is that it is very much driven by the proposals that come to us.

Q235 **Jane Hunt:** That is perfect. Thank you very much. So let us now focus on start-up and growing small businesses. What support do you offer to



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small businesses, through BEIS in terms of support, advice and assistance, and what can we do in future to improve on that to make it a more timely, accurate and helpful advice service?

Grant Shapps: First of all, one of the most important things we do is help to provide the loans that go to businesses to start in the first place. I mentioned my printing company. I started it and would not have been able to start that business without taking advantage of a loan guarantee scheme from the Government which required me to pay, I think it was 2.5% over the bank rate, for borrowing that money. I had no assets at the time and simply would not have been able to start a business that has been around for 33 years and has employed people for all of that period of time.

One of the first things I did when I walked through the door was check that the scheme still exists. It is slightly oddly named the recovery loan scheme at the moment, but it is essentially the same scheme and has had a heritage going right the way through. It is really important to have schemes like that in place so that people who might have a really great idea, have the application and are prepared to work hard, that those people are able to start businesses, create the employment and all the enterprise and GDP that comes from it. So that is the first thing.

The second thing is schemes like the ability to grow through advice are very important. Again, I accessed those kind of growth hub type schemes. They have been called many things over the years; growth hub is the current iteration of that. Those are really important. I know they are because I relied on them to help grow the business. Then there is a whole ecosystem of businesses getting together in self-help ways. I want to pay particular tribute to the many thousands of societies, groups, business clubs and breakfast clubs that exist in this country that do a huge amount to sustain the ecosystem of small businesses being able to trade and often just get through the day-to-day with a bit of advice from colleagues in the same position.

Q236 **Jane Hunt:** Absolutely, and I agree with you. There is a myriad, a whole forest of things out there. Is there anything that BEIS is looking at in order to develop that in terms of being able to pinpoint when somebody is asking a question out there, a small business hoping to set up, being able to get the answer straightaway?

Grant Shapps: It is an interesting question. If you look at that on gov.uk, which is definitely the place to go, it can sometimes be a little bit disparate and you can be searching all over the place depending on what the scheme is. It is definitely an area that will be a particular focus both for me and for the Small Business Minister, Kevin Hollinrake. I mentioned before that I am probably the first Secretary of State for Business who has been in business, I think, since Michael Heseltine, who I spoke to when I first came into this role, and everyone since him, just to find out how they did this job. The Small Business Minister, Kevin Hollinrake, has also been in business and so he and I are very proactive in daily



conversation about different ways that we could go about helping small business, sharpening up the offer as well.

Q237 Jane Hunt: Let us move on to reshoring. You talked about industrial policy and national security and I wondered about the supply chains in particular, both sector supply chains and supply chain in general. As we found out during Covid, there were quite often whole factories that were closed down for want of a widget of some description, or maybe a semiconductor. What are we doing about identifying those gaps in our marketplace and then reshoring those businesses to the UK?

Grant Shapps: Obviously, we have a market economy, and long may it last. It is generally the best way of doing these things, but we did see significant problems, particularly with the extent of the supply chain disruption and with the cost of containers, which started to make bringing over that widget vastly more expensive than it would have been before coronavirus. Although we have seen the container price come back down again, this has taught quite a clear lesson.

As a country, we have done a number of different things, including things surrounding the National Security Investment Act, which have enabled us to take a much more holistic view about whether a business, for example, should be taken over if we have any national security concerns. Those concerns could include—once the various Departments in Government have been canvassed—concerns about restricting supply, particularly in critical areas. The MoD may say, “If we don’t have that widget, we wouldn’t be able to provide this tank,” and, therefore, there is an interest in making sure that we can maintain supply.

There is a very big national security picture. I do not think it is our ministerial job to get into which widget factory is in which business park and where, but I do think we have an overall broader responsibility that has been very much highlighted by the events of the last few years.

Q238 Jane Hunt: Then, just two quick questions really on the energy side. You talked earlier on about the Green Deal and the £6 billion ECO+ and that kind of thing, but as we found, I believe, previously when we have put forward money, people have asked for grants. Great, they have the grant and then cannot find anybody to install whatever it is. What conversations are we having with the Department for Education qualification organisations to create certificates so that perfectly good tradespeople and professionals are able to get a short-course certificate and then be able to get on with their job and still get paid?

Grant Shapps: Those are conversations I have opened up, as I mentioned before, with DWP and DfE, with the Secretaries of State. The Permanent Secretary and I were discussing earlier that one of the problems we have had with previous schemes is they have come and gone sometimes so quickly that the supply chain has not had the opportunity to respond and react. What we want to do is have schemes which are set out, which is why it is so good that the Chancellor was able



to set out that £6 billion for energy efficiency and decarbonisation, because we want to be able to set that out, have the supply chain react and, as you rightly say, have all the training required to get people ready, knowing that in three years' time there is going to be a business there for them to go into. It is really important and, yes, I am very much involved in those conversations.

Q239 Jane Hunt: Finally, it is one of our set questions but, ironically, Citizens Advice Bureau asked me about this very question the other day so I am going to read it out. Citizens Advice have called upon your Department to implement a winter moratorium lasting until April 2023 on suppliers forcibly moving people to traditional prepayment meters and on switching smart meters to prepay in an attempt to recover debt. How do you respond to this request?

Grant Shapps: First of all, I went to meet the Citizens Advice in my constituency very recently and they no longer call themselves Bureau, which I had missed in the process. They are doing a fantastic job and I just want to pay tribute to Citizens Advice. Secondly, I absolutely share their concern and both myself and Minister Stuart have been raising with the energy companies, reports of people being forcibly switched. We are looking for maximum assistance through the energy suppliers and forbearance when people are going through these very difficult times. They are at least telling us in response that they are going to review their approach. I had a meeting yesterday afternoon with the Northern Ireland energy providers specifically who reassured me that they would not cut off anybody and not force people to switch. I share the concern, and Minister Stuart and I are keeping a very close eye and talking to the energy providers about it.

Jane Hunt: Thank you very much.

Q240 Chair: Thank you. You win the prize for being the only Member that stuck to the allotted time so I am very grateful. We have a couple of questions. It will be very quick because I am conscious of time. On Newport Wafer Fab, obviously, we cannot talk about the process by which you came to a decision, but there are many Members in the House who are concerned about who the new buyer is going to be and a desire that it is a patient buyer that maybe has a customer base to sell these wafer fabs to. What is your view on that in terms of the engagement you will play to ensure that there is a good long-term buyer taking on the Newport site?

Grant Shapps: I share all of that concern from Members across the House. I want to see it successful as you mentioned, and Members will appreciate there is a limit to what I can say in terms of the reasons why we had to go down this route. Nexperia, the company involved now, are in the process of preparing their plan for the sale of the business and so we will get sight of that and a much closer idea. I have been receiving letters and representations from colleagues with their various different views. As always, we want to see it be a good employer that is going to



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be a credit to the supply chain in South Wales. I am very alive to the issue without being able to say very much on it, but there is a process underway.

Q241 **Chair:** Presumably you would be happy to meet with, I think it is Vaughan Gething who is the relevant Minister?

Grant Shapps: He and I were supposed to meet today prior to this Committee. The statement in the House prevented it from happening, but we are rearranging.

Q242 **Chair:** We were slightly concerned, I think it was yesterday, at the suggestion that we might have to turn on the coal power stations again. We had previously been told by the Electricity System Operator that that would only be needed in very extreme circumstances, not in the base case. It seems to have come forward much sooner than we thought. Are you concerned about that? Do you have any more information?

Grant Shapps: Look, we are in a cold snap. I had a look before coming here at what the weather might be if we were sitting in London next Tuesday and it looks like it was 12°, so I was quite relieved. Never have I become such an aficionado of watching the National Grid live data as in the last few weeks. We are in a cold snap and that is when they said they would potentially switch on and have to run some coal.

The proportions are very low, and one thing which surprised me when I looked at the year-long data is we still appear to have exported more energy this year than we have imported by about 0.5 of a gigawatt, while in the last two or three days we have been importing. You will probably want to ask National Grid, but that is just the resilience point and we are not forecast to have a terribly cold winter. Fortunately, the snap here looks like it ends within a matter of days.

Q243 **Chair:** Here is hoping. One of the concerns we had was what support have you put in place for vulnerable customers in a situation where a blackout or a temporary blackout had to occur. As we understand it, there is a disjoint between the energy suppliers knowing who their vulnerable customers are because of the register and then the electricity system operator not having access to those customers. Have you thought about how you might help them in those circumstances?

Grant Shapps: The first thing to say is there are very developed plans and always have been for that sort of thing. We are nowhere near that in terms of a requirement and nor should we be. What has happened, prior to going into this colder snap, is we essentially got Rough storage reopened. It added 0.8 to our supply of about 1.5, so there was a 50% increase. They had it 90% full. When it comes to gas storage, the interconnectors are flowing very nicely. Over the last few weeks and months, we have been exporting quite a lot to France, the price mechanism, reverse that round. Things are actually flowing very smoothly and way before you would get to the issue that you mentioned, there are all sorts of other tools which I know you are probably experts



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on in the toolkit for National Grid. I do not want to alarm anyone at all in that regard, but the plans, in any case, are refreshed and renewed every winter. But we will not be in that position based on all the forecasts we have for this winter.

Q244 **Chair:** I understand the Government are consulting on a social tariff, or potential social tariff, for energy bills, something this Committee has recommended. Do you have any updates on potential timelines around the introduction of a social tariff?

Grant Shapps: The Treasury have been taking the lead on that and they will be coming back in the new year, I think I am right in saying.

Sarah Munby: Yes, and we have said that really that is about what would we do after the end of the energy price guarantee scheme, so you are talking April 2024. We need to work that through, but there is enough time to design, announce and implement at the point that the EPG comes to an end.

Q245 **Chair:** That is great. Just on Bulb and, again, I know you cannot comment yet on the commercial arrangements, but there has been some concern about how we get to £6.5 billion in the OBR assessment. Will you write to us to break down what those numbers go to from an itemised basis because when I tried to add up what you have previously told the Committee, I am still missing £1.9 billion, and I am not quite sure how we get to that figure.

Grant Shapps: Yes, gladly, and I am pleased you have suggested writing it down because it is a whole list of assumptions that get you to the number, and only if you take quite an extreme position can you get to the higher number.

Sarah Munby: If I may, I will try to be very brief, the OBR's number is gross rather than net and for that reason looks larger than the numbers that you will ultimately see put out at the end of the process. We can outline that, of course, in writing.

Q246 **Chair:** Fine. Thank you. Is the UK leaving the Energy Charter Treaty? Yes or no?

Grant Shapps: Do you know the answer to that?

Sarah Munby: No.

Grant Shapps: No, sorry.

Q247 **Chair:** You can write to us, that is fine. On the Retained EU Law Bill, we have written to you because the Regulatory Policy Committee were not very happy about the Bill and they asked us to make that point. There has been some suggestion that you might be changing course on that. Do you have an update for us, please?



Grant Shapps: No, everything is still set as per the Bill as it has been going through the House, so that is what you should expect. I am working with all the Departments on this. BEIS has a lot of REUL ourselves. DfT, that I came from, has a lot, as well as DEFRA and one or two other Departments. I am working very closely with all of them, generally trying to find the opportunities in this. I have picked up a whole area of very useful things that we can do. I understand concerns in the House about speed on all of this and so, again, I am looking at how to assist and ameliorate with that, but there is no change in terms of the timeframe and the rest of it if that is what you are asking.

Q248 **Andy McDonald:** On that, the TUC and the CIPD and others, 14 bodies have written to you in the last couple of weeks expressing their concerns about the Retained EU Law Bill. Will you meet with them to have that discussion because they want to air those concerns?

Grant Shapps: Yes, and I have been meeting with some of the bodies. I think I am right in saying the CBI were one of those as well, and others. I am meeting with these bodies as I go through and I am writing back to them, but I am also making sure that I am spending my time focused on resolving the actual issues that are being raised.

What has happened in this process is people have said, "Oh, there are 1,500 REUL measures." No, there are not; there are another 2,000. I am getting to the bottom of what the situation is and, as ever with these things, once you get into the detail you can see what is achievable over what period of time and because it is not a single process, remember, you can repeal, you can sunset, you can essentially re-legislate etc. We are triaging that all through. You can see it all virtually in real time on the dashboard, the REUL dashboard, which is on the gov.uk site, which is a very good resource for this. I will be going back to them. I will be undertaking to meet the organisations at different times through the course of normal business.

Q249 **Alan Brown:** National Energy Action estimates that 6.7 million households are currently in fuel poverty. When the energy price guarantee ceases in April, they estimate it is going to be 8.4 million households. That covers carers, people with disabilities, the elderly, people off gas grid. Is the Government looking at providing additional support in a targeted way to try to help these 8.4 million households?

Grant Shapps: It is worth saying, first of all, of course, not to underestimate the support that has been provided, which has been absolutely ginormous as you will recognise, tens of billions of pounds ensuring that the average energy bill is not more than £2,500 now, £3,000 after April. We are doing lots of additional things like additional cost of living payments of £900, £300 pounds to pensioners' households, £150 to individuals on disability benefit, and so on and so forth. We are doing a huge number of things to really step in—just as we did during coronavirus—to try and support—



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Alan Brown: But going forward beyond April is the point.

Grant Shapps: We know that the energy price guarantee is £3,000, but the reason I wanted to mention the other things, beyond the price guarantee, is there are sums of money, like the cost of living payment, going to people directly, which is over and above that. We have tried to keep the system extremely generous. Of course, I literally spend my time worrying about ensuring that people do not end up in a position of fuel poverty. We are in December now; by April we need to see where energy prices are because what we are trying to do, and part of the earlier discussion, is create an energy system where prices are able to reverse as well, even without energy caps. It is probably a little bit early to give a full answer to your question, other than say we are very conscious of this, looking at it very closely, spending literally tens of billions of pounds supporting people on energy prices domestically and also businesses like never before in history.

Chair: Thank you so much. I am sorry we ran over, but I am grateful you have stuck with us for an extra 17 minutes, so thank you to you Secretary of State. Thank you, Sarah Munby, for your time. We look forward to the follow-up answers in correspondence afterwards. We are now bringing the session today to an end.