



Environment and Climate Change Committee

Corrected oral evidence: Secretary of State for Energy Security and Net Zero

Tuesday 25 April 2023

2.00 pm

Watch the meeting

Members present: Baroness Parminter (The Chair); Baroness Boycott; Baroness Bray of Coln; Lord Bruce of Bennachie; Lord Duncan of Springbank; Lord Grantchester; Baroness Jones of Whitchurch; Lord Lilley; Lord Lucas; Bishop of Oxford; Duke of Wellington; Lord Whitty; Baroness Young of Old Scone.

Evidence Session No. 1

Heard in Public

Questions 1 - 25

Witnesses

I: The Rt Hon Grant Shapps MP, Secretary of State for Energy Security and Net Zero; Lee McDonough, Director General, Net Zero, Nuclear and International at the Department for Energy Security and Net Zero; Ben Rimmington, Director General, Net Zero Buildings and Industry at the Department for Energy Security and Net Zero.

Examination of witness

Rt Hon Grant Shapps MP, Lee McDonough, Ben Rimmington.

Q1 The Chair: Good afternoon and welcome to this one-off evidence session of the House of Lords Select Committee on Environment and Climate Change. We are delighted to have the right honourable Grant Shapps, who is the Secretary of State at the newish Department for Energy Security and Net Zero, and for him to be accompanied by two of his colleagues. We have Lee McDonough and Ben Rimmington, both from the department. We are extremely grateful for your giving us your time this afternoon. We have a lot of questions to get through and I am sure there will be a number of supplementaries as well.

I shall start with the first question. Secretary of State, you have had two months in the new department. Since then, we have also had the *Powering Up Britain* announcements, which I think you said formed the manifesto for your department. Could you give us a sense of what your immediate priorities are for the next six months?

Grant Shapps: Thank you very much for having me along today. It is a great pleasure and honour to come and answer your questions.

As you rightly say, the new department was set up two months ago and I have been Secretary of State but, of course, the responsibilities within it were things that I was already handling for several months before that in the old BEIS department, which incorporated these areas. The great thing about this being a department focused entirely on energy security and net zero is that it brings huge focus.

To answer the question "If this is the manifesto", as we are saying, "what are the immediate priorities?", they are: stability in energy supply, and I think it is the case that we can now see the stability is in place and the lights stay on—there are no issues for next winter and so on; bringing down people's energy bills in the shorter term; getting to—and I am afraid this is more than six months' time—in the more medium term the lowest energy prices, particularly electricity wholesale, in Europe or among the lowest; but all the time doing so in a manner that is in conjunction with our duties, both domestically and internationally, to meet net zero by 2050. In a nutshell, that is probably the purpose of the department. Having a department called Energy Security and Net Zero brings an amazing focus to that task.

The Chair: Yes. You made the point that "Net Zero" is in the title. Has it made a change in terms of any of the subtle directions of travel?

Grant Shapps: I think that net zero is actually the flipside of energy security, as it happens, in both a short-term and long-term way. On a short-term basis, we know that there is a war in Europe where hydrocarbons are being used as a weapon in that way by Putin. The less we use the thing that he supplies—hydrocarbons—the safer we will be, so diversification is important in its own right.

Secondly, in the long run, in terms of the security of the globe, security is enhanced by ensuring that we meet the overall net-zero objectives. Those are two sides of the same coin. Once upon a time, when DECC was created, it was a much smaller department—half the size of what energy security does—and there was still quite a lot of debate about net zero and so on. We are now a decade and a half on, or getting towards it, and that is really a yesteryear argument. People accept that, whatever we do, energy security is absolutely essential because of the war. That security is enhanced, in the ways I have described, by having a trajectory towards net zero. That includes things like nuclear power as well—the baseload to get us there.

As I say, it has brought a lot of focus to the department. I think there is a lot more clarity within the department about what it is doing. My average day is not now keeping the lights on and having a meeting with the chair of Royal Mail about preventing strikes, which were not entirely related subjects.

Q2 Lord Grantchester: Good morning, Secretary of State. Are you working to ensure a smooth transition from Business and Energy to Energy Security and Net Zero, especially in relation to staffing and resources? That might be broken down into two questions: how many FTE staff work on energy security and how many on the net-zero policy? In conjunction with that, what is the budget for the new department? I noticed in your earlier comment you said that the new department is twice the size of the old DECC. The old DECC was constrained by half its budget being taken by decommissioning costs. Do you think your budget is sufficient with enough resources to do the job that is before us?

Grant Shapps: First, I should put on record that I think there are about 2,700 full-time equivalents in the department. You ask about the split between the two. A lot of the time somebody looking after energy security is also doing net zero; as I described it is genuinely two sides of the same coin. I had a look at what the answer to this might be, aware that this was a likely question. It is very difficult to say exactly because people in the department, if you are working on the wind-farm policy, offshore wind farms or something—for which this country has an undisputed world lead in terms of having the largest wind farms in the world—is that person on net zero or are they working just on renewable energy? It is difficult to say, so I have not been able to pin an exact figure.

You ask about the transition to the new department. Of all the machinery of government changes it has probably been easiest for Energy Security and Net Zero. Basically, we had all the people within the department already, so it has been quite a straightforward process. It has massively simplified our organisation while leaving me working with the same, for example, Director-Generals who are sitting with me today. They are among the Director-Generals who were part of the old department. That has been a reasonably straightforward transition.

In terms of the overall budget and whether I have enough money, well, yes. Would I like more money? Of course, yes. Which Secretary of State would not want to have more money? However, the vast majority of the cash for the work that we are doing is not from the taxpayer. The vast majority of it comes through things like contracts for difference where, yes, we will put another couple of hundred million into the next round of CfDs for AR5, as it is called, for our offshore wind auctions. However, the real money is the private sector investment, and that is hundreds of billions. That is where we will leverage in large sums of money. Therefore, yes, I think we are adequately financed for the things we do.

There are big areas of spending. Sizewell is a good example, as I am the first Secretary of State to put taxpayers' money into nuclear for, I think, 36 years, but there is a vast amount that still needs to come from the private sector. However, yes, to answer your question, I think there is sufficient money.

Lord Grantchester: As you rightly say, it is a vastly different world to the world under DECC. Am I right to assume that basically the old department is the new department with a name change above the door? That is, you are galloping ahead with all the things you are already doing, which is so vitally needed with, as you say, a lot of implications for all the technologies.

Grant Shapps: When you say the "old department" and "new department", do you mean DECC or BEIS in that regard?

Lord Grantchester: I mean BEIS.

Grant Shapps: On the change from BEIS to Energy Security, yes, clearly we are doing a lot of the things that BEIS was doing before but with a hugely increased focus. My day is not taken up with peeling off to see the chair of Royal Mail, as a random example. There is a lot more focus on delivering this.

Lord Grantchester: I understand.

Grant Shapps: From the public's point of view, people want to know that we never have to return to stories about whether we will be able to keep the lights on. We are well beyond that stage, fortunately. We are going to get to a position where our economy can absolutely thrive. If you look at all the most successful economies in the world—and this is my belief on this—and Britain in the Industrial Revolution, what did we have? Cheap energy: we got into coal and hydro power. We had cheap and plentiful energy. If you look at the US more recently, in different ways they have managed to access cheap energy. I want us to be able to access cheap and plentiful energy, bring down household bills, and enable industry to excel. Having this department focused like a laser beam helps us to achieve that.

Q3 **Baroness Jones of Whitchurch:** I am interested in the "Net Zero" part of your new title and, in particular, the governance arrangements that

underpin that, because it is not going to work unless you have a pretty demanding role across government to deliver that. For example, we already know that Defra is not meeting a number of its net-zero targets. That is just one example. Other departments are not either. In a different department, how do you have any influence over Thérèse Coffey and what she is doing to meet her targets?

I suppose there are two bits to the question. First, there is the formal bit: what are the formal government structures, but then what else is going on underneath all of that? Otherwise, what will change? You will pull a lever from your department and not a lot will happen in transport or Defra or any of the other departments. How is it all going to be different?

Grant Shapps: First, I should point out that I have the greatest incentive of anybody in government here, and probably globally, for us to reach these very exacting targets because, on a technical basis, I can be sent to prison for contempt of court for not having a proper plan in place, so I am personally quite invested in solving this—that might encourage my colleagues in Cabinet to not help, so I do not know if maybe I have this the wrong way round. I think in general everyone understands that this Parliament has voted to make it a legal requirement for us to reach net zero by 2050 and has resolved to find ways to do that which are not only good for the planet but also provide Britain with some excellent opportunities in terms of leading the world with jobs and the like.

I will put that into perspective and then I will get to the substance of your question. Yesterday, I was in Belgium with nine North Sea states. That was all about developing our energy independence and the interconnectedness between us, and I announced a new 1.8 gigawatt interconnector that we are going to build with the Netherlands, for example. But the fascinating thing is that they all look to the United Kingdom for our leadership in this area. They are all plugging into our expertise, our skills, our knowledge, and our firms, a dozen of which I took across to Belgium with me, essentially to sell their wares. We have a global lead in something that we got into early, and it is important that we capitalise on that. I think we can do both the good of net zero and the good of greater well-paid jobs in this country consistently and together.

You asked about the specific mechanisms. Obviously, we have the framework of Parliament having voted for it. We set up the Climate Change Committee—the CCC—and it plays a very important role in providing advice to us, but the structure within government is the Domestic and Economic Affairs (Energy, Climate and Net Zero) Cabinet Committee, which is the body that helps me to ensure that we can deliver this thing across government.

When we did *Powering Up Britain*—there are 2,500 pages of different documents within that, but the *Net Zero Growth Plan* is an important part of it—every part of government has to be involved in this. As you say, whether it is Defra or another department, ultimately they need to make sure that they are meeting their targets. Different strands of government will move at a different pace on this because we are working for the

things that are both stretching but also incorporate the latest technology together, and farming has many of those things, which may come along at slightly different times. If I speak to my colleague Thérèse Coffey, she is very aware of the requirements and I think is equally determined as I am not to go to jail.

Baroness Jones of Whitchurch: You are not the chair of the Domestic and Economic Affairs (Energy, Climate and Net Zero) Cabinet Committee, so you are just one participant, as is Thérèse Coffey, for example. I am sure that it has a vast agenda, given all the subjects that come under that heading. How are you finding the space and authority within all of that to start really calling the shots, because that is what it needs, is it not?

Grant Shapps: By the way it is not just Domestic and Economic Affairs; it is the sub-committee of that, which is energy security and net zero, which is specific to my area. You are right that I am not the chair of it, but, to answer your question, when he set up this department the Prime Minister wanted it to carry weight within Whitehall. I imagine this has been pretty much unnoticed by commentators—because who looks at these things?—but you will be aware that every department is ranked in the Whitehall table. If you go to GOV.UK and look at the list, you will see that Energy Security and Net zero is placed above everyone, apart from the great offices of state, so it is ranked in Whitehall terms as being a very mission-critical thing that we need to deliver.

That matters to Whitehall in a way that I think is quite difficult to understand for the rest of the world, because Whitehall—the machinery of government or Civil Service machinery—responds to the order in which the Prime Minister has set out his priorities. That is one very good example of a way in which he has made clear to Whitehall, to my colleagues, the importance of getting this job done, and he has done that because it is one of the people's priorities. People are very concerned about energy security, so he has sought to do that. To answer the question—

Baroness Jones of Whitchurch: People are concerned about net zero as well.

Grant Shapps: Sure. That is the great thing about combining both.

To answer your question slightly more anecdotally, I have not found any difficulties in Whitehall—quite the opposite. Colleagues are very keen to understand that we are signed up to this project as a Government and as a country. Unusually, if you take the Americans, for example, who have had to go through a subsidy-based approach to solving some of these problems such as the net-zero problem, the reason they have had to do that is because they just do not have any political consensus over it at all. They are having to go down a much more expensive route of taxing the economy and taxing firms in order to provide inducements through the Inflation Reduction Act. The *Economist* commented on this a few weeks ago. It is about three times less expensive if you can do it through

political agreement, mandates and so on rather than through a tax and spend policy. Therefore, we have that advantage in this country.

Lee, did you want to comment?

Lee McDonough: Just to add, as you would expect, there is a significant official level infrastructure that sits below the Cabinet committee and the Secretary of State's responsibilities, and we monitor delivery of the very detailed delivery plan that we published as part of this documentation. It is a legal requirement, as the Secretary of State said. It is collectively signed off across government and we hold individual departments to account to deliver against what they have said. We do that on a regular basis, and we use both the Secretary of State and the committee as a mechanism for escalation if there are issues that need to be resolved.

In terms of the breadth of what was published in these documents, you can see the consensus that we have. You cannot deliver things like this unless everybody is very clear about what they are doing and signed up to delivery. Although there are challenges in some areas—as you would expect with a programme as broad and long-term as this—there is strong consensus across government and very clear sets of responsibilities in terms of who is doing what.

The final thing I will say is that, quite unusually in my experience as a civil servant, there is one version of the truth in terms of our overall progress on delivering on net zero and it belongs to the Secretary of State. Quite often, you have different groups having different "Oh, here is my plan" and "Here is my plan". Unusually, we have a very strong, clear single version of the truth that is shared across government and into the centre, which helps.

The Chair: Baroness Boycott has a supplementary.

Q4 **Baroness Boycott:** During the life of this committee we have often heard about a Cabinet committee that was particularly focused on the delivery of net zero. Am I to understand it no longer exists and have things been weakened by the lack of it?

Grant Shapps: No, it does exist and it is the other way round: it has been strengthened. It comes under the Domestic and Economic Affairs (Energy, Climate and Net Zero) Cabinet Committee, so that is the committee. Periodically these committees are changed just to fit with the machinery of government, and that is the precise bit to—

Baroness Boycott: Who is on the committee?

Grant Shapps: We can send you the list, but it is chaired by the Deputy Prime Minister, Oliver Dowden. I am on the committee and am deputy chair, and it will have the most relevant departments whose support we most require to deliver this.

Baroness Boycott: How often do you meet?

Grant Shapps: These committees often do their work through both write-rounds and meetings as well, so I do not know the exact schedule. Do you know, Lee?

Lee McDonough: It meets regularly. It has been monthly in the run-up to delivering this, and then as these fit it will probably be no less than quarterly. Just to flag as well, in terms of membership of the committee, the Chief Scientific Adviser is also on there as well, as a key adviser.

Baroness Boycott: Will you be able to summon different department heads, other Secretaries of State, in front of your committee?

Grant Shapps: That is exactly what it does.

Baroness Boycott: Will that be public? We were concerned before about the committee that it was difficult to find out what was going on.

Grant Shapps: I think I am right in saying that the output of the committee, I think, ends up being through documents like—

Baroness Boycott: It will not be—

Grant Shapps: It is not a televised committee, in the same way as Cabinet is not—you cannot switch on the TV and watch Cabinet. It is the same as that.

The Chair: The Bishop of Oxford also has a supplementary.

Q5 **The Lord Bishop of Oxford:** These all sound very encouraging developments and it is very good to hear about them. One of the cross-cutting issues that we return to again and again is the question of a just transition, so that the poorest people do not bear the burden. It applies in domestic heating; it applies in electric vehicles; and it applies in the basic costs of energy. Could you say how those questions are being engaged with in the department and in the committee?

Grant Shapps: Just to widen the point, I should say it also applies internationally. For example, I was at the G7 last week in Japan and a considerable part of the discussion for the G7—the wealthiest countries in the world—was about how we make sure that that just transition applies throughout the world.

In terms of financing this transition, the single most obvious place to go is to mention the sheer and very large sums of money being spent on, for example, insulation for people's homes. Over the years, that programme has been focused on social housing, in part because it is much easier to go down a street and sort out the insulation quality of social housing than it often is in the private sector, but there is £6.6 billion over this Parliament and another £6 billion has been announced from 2025 to 2028. There are also specific programmes that we have been able to expand, including recently a programme called ECO4, which is a £4 billion extension of the programme. That is very important because it cuts people's energy bills and helps the least well-off as a result.

I was Housing Minister 13 years ago and I often hear it said, "We have done nothing in this country. We have this old Victorian housing stock. We are not sorting out the insulation. Therefore, people are wasting money". I have been hearing that story for so long that, when I got into this role, I went back and checked the facts. Back in 2010, the day that I became Housing Minister, only 14% of our homes had insulation that would be rated A to C on energy performance; today it is 47%, and this year we will be at 50%—so over half of our homes, which are very old Victorian housing stock, will finally be insulated, and we are now getting much more into the private sector and the home-ownership sector.

We have a new programme called the Great British Insulation Scheme, which is also in here, which is another £1 billion, just to get on to that. That is a very clear example of money directly being spent to help people who are likely to be less well-off with one of their key costs, which is energy. There are many others but perhaps for brevity of time—

The Chair: We might come back to that in a short while but in the meantime Lord Duncan.

Q6 Lord Duncan of Springbank: You spoke about, as a Government and as a country, moving forward. What are the formal structures you have in place to deal with the devolved Administrations and the liaison there? Quite often, there can be issues where political parties of a different hue can struggle to have strong communication. Can you set out what the structures are and how you would assess the progress so far in that area?

Grant Shapps: Yes. I will answer on a generic level and then let my colleagues come in on a technical level.

As you know, energy itself is not a devolved matter. We maintain the energy structure for the whole country—the National Grid and so on—but we work closely with the devolved Administrations. I will look to work with my opposite number and my junior Ministers will do the same.

There are some differences in policy areas, which it would be wrong not to flag as important. For example, this Government is in favour of nuclear power and, in particular, the future of things like small modular reactors, which I believe could play a very significant role. The current Administration in Scotland is not in favour of nuclear power. We will have to see how those areas are resolved. They have had nuclear power in the past, clearly.

Oil and gas is another interesting area, as is the fact that parts of Scotland are quite windy and, therefore, have quite a lot of wind power. There is an issue about how you move around that energy through some quite long distances to get it where it is required, where the economic requirements are.

There are issues but, by and large, we work pretty well on it, and there is not a single episode that I can point to where this just has not worked well with the devolved Administrations. In fact, the biggest element of working with the devolved Administrations has not been through a policy

difference; it has actually been the lack of a Northern Ireland Executive, so my department has had to—unusually and for the first time in history—do two things. Rather than having an energy system that collects money from the public, which is what energy companies usually spend their time doing, instead we had to work out as a Government how to pay money out to the public through that system, which was an enormous challenge for all the schemes like the EBRS and the rest of them. That was capping people's bills and paying money back to people. But in Northern Ireland, where the energy system is entirely different and there are very different companies involved as well, we had to do the work that the Executive would normally be doing and make those direct payments. It is a wonder that it did not itself turn into a much bigger story, for which I will pay tribute to my colleagues here and others for making it happen. That has probably been the biggest single devolved Administration issue for us, but it has not been a policy difference—it was to do with the broader Northern Ireland position. But there may be other things to say.

Ben Rimmington: I would agree on the Northern Ireland aspect, with the affordability interventions. More generally, the way we engage with the devolved Administrations depends on the policy area, and of course the devolution settlement that relates to it, but we have some formal mechanisms in place for joint working, like the Emissions Trading Scheme, which falls under my remit. We have a formal joint Emissions Trading Scheme council that meets and under the joint responsibility decision-making must be aligned and agreed with the devolved Administrations.

On the Emissions Trading Scheme and its future development, we are in live conversations at the moment, for example. More generally, there are an awful lot of informal working relationships because a lot of what we are doing is across GB or across the UK. For instance, the current neighbourhood trial that is being developed for hydrogen heating is in Scotland, and so there has been plenty of engagement, not just with the gas supply company involved in that but also with the Scottish Government on the detail for that to make sure we are aligned on taking it forward.

Lee McDonough: If I could add from a macro *Net Zero Strategy* level, there is a net-zero ministerial group—which meets as and when it needs to, so it met a lot before the *Net Zero Strategy* was published—and at official level, we have a net zero devolved Administrations group, which sits under a DG level group that I chair. There is lots of cross-cutting engagement as well as the specifics.

Also, I should flag that, obviously, the Climate Change Committee is a UK body, so we work very closely with our devolved Administrations and our colleagues, and there is joint ministerial sign-off in terms of membership of that committee, so that is another thing at that level that joins us together.

Grant Shapps: It is a reserved area of policy as I say. My experience is that it has not been hugely controversial. Perhaps those controversies are yet to come with new forms of power, but right now it has not been.

Lord Duncan of Springbank: That is fascinating. When I was a Minister in Northern Ireland, we could not instruct the civil servants in Northern Ireland. You thought you were instructing them but you were only advising them that that was your opinion and they then interpreted that as they wanted to, so I take my hat off—

Grant Shapps: Are you sure that is just in Northern Ireland?

Lord Duncan of Springbank: I take my hat off to you that you have achieved that, because I think Northern Ireland must be the most difficult area in which to take this forward without an Administration.

Grant Shapps: We had to get into the undergrowth of personally having conversations with the Post Office, PayPoint, the individual electricity suppliers, of which there are half a dozen large ones, and work out entirely separate payment processes to those that existed in the rest of the UK. It was incredibly challenging, particularly before Christmas when there were some quite difficult decisions to make.

Lord Duncan of Springbank: As an aside, because you mentioned the need for more modular nuclear reactors, I should declare an interest in that I advise a small modular nuclear reactor company—for the record.

The Chair: Thank you. Lord Lucas.

Q7 **Lord Lucas:** Secretary of State, in *Powering Up Britain* you pledged to set out further details of how the Government will increase public engagement on net zero. When will this further detail be published? In that context, I remain surprised that the department is so resistant to the idea of local energy—as demonstrated in the House of Lords Division last week—when that is something where the public is really keen to engage with net zero.

Grant Shapps: On the first point, I think I am right in saying that *Powering Up Britain* is referring to a whole host of different things. It says that we will continue to consult on a very wide range of areas, so I do not think there is one single “That is the day we will fulfil this thing”. It says that there are lots of different areas where we need to engage and pick up more public and sometimes sector views in order to deliver on net zero.

On the specific issue of community energy, I should tell you that I am extremely sympathetic. It was in our manifesto. I really do want to see community energy projects brought forward. I think I am right in saying the only issue with the House of Lords amendment is that it wills the end without having the mechanism under it and, as a responsible Government and Secretary of State, I did not want us to say we will do this and then have someone say, “How are you going to deliver it?” Therefore, we have to work out the piping to make community energy work but, as a

principle, I am very strongly in favour. I think it is an excellent idea and very much of its moment.

Lord Lucas: Thank you. That is a very encouraging answer.

Another aspect of this is the grid issues. Are we going to see a 20 to 30-year view of how that will develop? When is a small modular reactor going to turn up next to where I am living? When will the gas network turn off? That is particularly important for big industrial gas users. What is the role that thermal will play in this? That has the potential to reduce the burden on the grid of transferring away from gas heating. Is there that sort of long-term view of how my neighbourhood is going to roll out on this? Is that something I can expect?

Grant Shapps: I hope that *Powering Up Britain* gives some sort of sense about timetables on some of this. To get into specifics, the formation of Great British Nuclear, which was set up on the day that we launched this, will now go out and set out the programme for when you can expect to see a small modular reactor in your neighbourhood, if that is what you desire.

By the way, I am always struck before we get there by the number of former nuclear gigawatt power station locations from their MPs in particular who are very keen to have their area reincluded in future nuclear power, so we are not short of locations in which to build nuclear power in this country. There is the gigawatt scale, but there is also the small modular reactor sites. Some of those sites will be in the same locations. That probably answers the point about when the public will be consulted. They will engage and set out their planning in terms of timescale.

There is quite a lot in here about gas and the transition particularly away from gas. I do not think we have all the answers yet and I want to be completely candid about it. People say, "Well, let us just switch to hydrogen", but with hydrogen you probably get 30% to 40% of energy out of the total energy you had when you were starting to make the hydrogen. Then you have to transport it—and the pipelines may or may not work—convert or alter boilers and so on. We have the things like the trials. In Scotland, we have one or two other village trials proposed. I think it is also very important that we take the public along with us on that. We have to do the research to move us along this path, and it may be that other technologies actually end up ruling the roost, such as heat-source pumps—I am having one fitted in my home.

Again, there are myriad issues. Do you need bigger radiators? How well insulated does your house have to be before it works? Regarding the 50% that we are getting to of insulated houses, can you retrofit those? There are many different aspects, and that is partly why I want to live the experience and find out. The cost, of course, is another issue, and I want to find out how it works in practice. When I became Transport Secretary, by chance I happened to have ordered an electric car in advance. I found it very helpful for three and a half years, as Transport

Secretary, not theorising about what it is like to drive electric but driving one and being able, therefore, to take more educated policy decisions and provide more informed advice. I hope to be able to do the same in the energy sphere to an extent.

Not all of these answers are there yet. I think hydrogen and heating is one of those areas where there are a lot of questions to be answered. Do we ever go beyond a 20% mixture, for example? That might be possible without changing boilers and pipes. If you want an exact date, there is not one—this is an ongoing process, I would say.

Q8 Lord Whitty: You have covered some of this ground, but I would like to explore your dealings bilaterally with other departments, particularly the department for levelling up. You explained just now the decisions that are needed on home heating, which is one of the biggest problems of getting to net zero; some of the rest of the review is setting targets and deciding whether hydrogen will play a part or not and, indeed, the energy efficiency schemes, which you have described. By the way, I would quite like the department to send me the figures on that because it is not clear to me that the remaining 50% will be as easy to do as the previous 50%, and the actual interventions are running down.

It is also true that the department for levelling up has a key role in planning. For example, one of my bugbears is the tendency of developers and planning departments to approve demolition and rebuild rather than retrofitting. They have a responsibility also for building standards, and we have abandoned the net-zero intention for new build, but what is going to replace that? Therefore, you need a very close relationship with that department. If I can start with that department, can you tell me how your working relationship operates?

Grant Shapps: I will start and then I will hand over to Ben.

At the beginning of my ministerial career, I was in what was that department and, as Housing and Planning Minister, I understood the many complexities of the planning system and, also, the market sensitivities to surprisingly small increases in the cost of a house and the affordability of that house to people—it is a surprising relationship until you study it, and a lot of people are shocked by it. We have housing pressures in this country. The department for levelling up has a proper job to do in trying to make sure people can be housed affordably, and so we need to make sure this works properly in tandem.

You raised a lot of different issues. One is to do with the curiosity of knocking down houses and rebuilding them when VAT becomes applicable and those sorts of things, which is more of a Treasury issue. Regarding the issue of net-zero requirements, there is an interim requirement, which you are now going to remind me what it is called, Ben.

Ben Rimmington: The interim uplift in building regulations.

Grant Shapps: That is it. Over to you.

Ben Rimmington: On new-build property, on the specific point about the future homes standard, which I think is what you are referring to, that is going to be from 2025. There is also the future buildings standard for non-domestic properties, and there is already an interim uplift to energy, efficiency requirements, from last year. That requires a 30% equivalent improvement in energy efficiency for new-build property—that has already come in—compared to the previous standards.

More generally, in terms of our relationship with our Levelling Up, Housing and Communities colleagues, we see an awful lot of them. There is honestly a sense of shared endeavour, I think. We have a senior officials' group that meets every month. I see my DG-level colleague at least as regularly, if not more so. Essentially, we have a close partnership on everything we are doing about retrofit of property and closer work with them on everything about standards related to new build and the planning and building regulation system.

For instance, we have work going on together around the reform of the energy performance certificate regime—the EPCs. We have specific work going on, which we may come on to. We have to work around the planning and building regulations regimes as they are, for some of the progress that we need to make on retrofit; for instance, the planning regime that applies specifically to heat pumps at the moment. There is specific study work going into that and things like listed buildings and the application for consent for listed buildings. That can be a challenge in our space.

It will always be a complicated relationship because, as the Secretary of State said, the Government are trying to do so many things in this space quite rightly, but it is a pretty good one.

Lee McDonough: Could I mention two other things that we engage with them on as well? We have a strong relationship in relation to how we engage with local authorities. We have set up a collective local net-zero forum, on the back of the *Net Zero Strategy*, so that we can start to look at place-based delivery of net zero. Obviously, we work very closely with the department on devolution deals—so Greater Manchester and West Midlands Combined Authority—and the role that net zero, and specifically retrofitting and things like that, play in those devolution deals, so we come at it from different angles.

Grant Shapps: I do think you are right about the other half of the stock by the way. We should be completely up front about it. The chances are that we will have started with the easier-to-insulate because, as I mentioned before, quite a lot of it has been through the social stock, either council housing or housing association. There probably are more harder-to-reach properties in the second batch. Although there are not very many good things coming out of the war in Ukraine—which has been so disastrous for the world and for Ukrainians, in particular—one of the things it has done in pushing up prices is that it has made the economics of insulation work where often they did not work before. Potentially, there is an economic advantage that previously was not in existence.

However, I accept that this is hard. This is tough stuff to do, particularly with the existing stock. On the other side of it, I think housebuilders—including I think Crest Nicholson—have said that they are only building new homes now with heat pumps, for example, which means that they are building them to an insulation level that a heat pump will be able to operate under. So I am sure we will see the stock continue to improve, but I do not underestimate how complex it is to do.

Q9 Lord Whitty: The House of Lords passed an amendment requiring the Government to engage in a new campaign on energy efficiency. Are you now likely to accept that amendment?

Grant Shapps: I thought we were already doing this. This is literally what I have been spending my time doing. I was personally involved in an energy efficiency campaign at Christmas time with an “Elf on the Shelf” I recall. Also, I mentioned the insulation programme: the Great British Insulation Scheme is exactly that thing. I can see we have clearly failed to roll it out and let everyone know about it yet, but it is that thing that the Lords were asking for.

Lord Whitty: You have already reconsidered one area, which relates to fuel poverty in relation to now considering a social tariff, which you resisted two weeks ago. I would hope that you took something like the Lords’ amendment to make sure we have a strategy on energy efficiency.

Grant Shapps: On the social tariff, the Chancellor announced that we were to do this. I think he did it in the Statement before the Budget, if I remember correctly. It is a while ago and certainly there has been no change in the last couple of weeks. I think sometimes when, for very good reason, amendments are put down in this place, quite rightly, they are to draw attention to something. We may not accept them immediately, but it is not that we are necessarily against the principle behind it. As I say, the Chancellor and I have talked about social tariffs and, indeed, are likely to be going to consultation on it, I think this autumn.

Q10 Lord Whitty: Can I ask you very quickly about the Treasury? One of the problems of previous interventions was that they were paid for by all consumers on a poll-tax basis, effectively. Are you able to shift the Treasury off that, so that not only will the interventions for energy efficiency help the fuel poor, and those who are close to being fuel poor, but it will not be offset any longer by a regressive way of paying for it?

Grant Shapps: At the risk of disappointing you, I think the answer is probably no. In the end, the money has to come from somewhere, whether you raise it from the wider taxpayer or from the energy users, who are the same people. You still have to raise the money one way or the other, and so I imagine that some form of levy is an integral part of the system as we shift. If you want to join me in my campaign for the Treasury I will welcome your support, but I do not know if there is anything else that I can say on that that is helpful.

Ben Rimmington: On energy efficiency specifically, we do, unusually, have the forward commitment of £6 billion for the coming spending period that was announced in the Autumn Statement. That comes obviously from general taxation, in terms of that extra funding, so I think there is some acknowledgement of that—

- Q11 **The Chair:** Before I invite Lord Lilley to ask a supplementary, can I follow up quickly on something that Lee said? You said the net-zero forum has met. Can you tell us how many times it has met and what is your expectation in terms of how often it is going to meet, given the shared endeavour that you have? You were very clear about the cross-government endeavour delivering net zero. In our committee, we have had strong representations about the need for a better sense of shared ownership between local and national government.

Lee McDonough: It was set up following the *Net Zero Strategy*. It is an official-level group. I jointly chair it with my local authority colleagues, and we have membership from a wide range of local authority and related organisations. I can send you the detail of the membership. It probably meets about quarterly. We do publish the minutes of the meeting, so again I can send a link through to the committee so that you can see the nature or kinds of things we are discussing.

The Chair: That is very helpful. Thank you. Lord Lilley.

- Q12 **Lord Lilley:** I am a believer in net benefit ahead of net zero, so could you tell us whether the department or the Government have and use a social cost of carbon? If so, what is it? If not, how do you decide what the cut-off point is in terms of what it is worth spending money on to avoid an extra tonne of carbon being emitted, and what it is not worth doing?

Grant Shapps: I will answer the overall point. I might ask Lee to come in on the specific calculations.

On the broader point, I believe that, as human beings, we thrive when we develop. We save lives. We improve the quality of people's lives. We have people live longer, and that is society at its best and the Government should be helping to do that. I have always rejected the idea, which some people put forward, that what we need to somehow do is regress, ultimately go and live in caves or something, and then we will save the world. We will not. More people will have worse outcomes in their healthcare because we will not be able to afford that, and their education and so on.

To take the most stark example of the complexity of getting to net zero, which is in part driven by one of my previous roles as Transport Secretary, I know that decarbonising aviation is a really, really complex thing to do. It is quite straightforward with cars. Electric cars are quite established. They work and so on. Flying is very complex because weight and balance really matter. Batteries are too heavy. Hydrogen cannot be used, because at the moment we cannot get enough power into the aircraft, so we need to use some sort of fuel not too dissimilar to the fuels that we have.

I set up the Jet Zero Council to answer something that is very aligned, I think, to the point that you are getting at overall, which is that some people have been trying to say that we should have a form of demand management and stop people from doing things, doing business internationally, seeing the world around them and flying. I fundamentally disagree. I think the challenge for human beings is to find a way to do those things without damaging the world. The council, in particular, has focused on sustainable aviation fuel—SAF. It is entirely doable.

As a result, this country has set a 10% target by 2030, which is world-leading in terms of sustainable aviation fuel and, in fact, the airport in the world that provides the most sustainable aviation fuel is Heathrow currently, so we have made really good progress. Because we have set a lead in this, it has enabled us to attract countries to our shores. For example, an American company called ZeroAvia is doing the development work for hydrogen aircraft in the UK—actually in the Cotswolds currently and before that in Cranfield—to go to the next stage of development. I see in the big picture the answer to getting to net zero being entirely compatible with having people able to live their lives, enrich their lives and for society and economies to grow. I always view the challenges of net zero within that context. I think, done right, it brings new jobs. The whole world will need these skills, and I spend my time helping British companies sell these jobs abroad—recently in Korea and Japan, as I mentioned.

My philosophy behind this is: I do not accept the idea that to get to net zero we need to regress as a society, but on the technical side I hand over to Lee.

Lee McDonough: Thank you. The Government do have a framework for assessing the social cost of carbon emissions when they look at policies for investment. That is in the Treasury *Green Book* and it is publicly available, so again we can send the link to that.

It is complex to determine the cost of carbon because there are so many different sources of evidence, so the mechanism used includes multiple analyses to come up with a broad figure, but it is there and it is a requirement now as part of the spending review process and for individual appraisals at business case stage that they take account of the cost of carbon.

To add more broadly to what the Secretary of State has said, there is also a very strong imperative that the cost of inaction far outweighs the cost of action. We know that from multiple sources and evidence that shows the impact on GDP if we do not take action now. On top of that, I guess it is also the opportunity costs of not acting now in terms of investment, in terms of jobs—all the things that the Secretary of State has been talking about—and also export opportunity. The really strong imperative is for us to be thinking about those things, which we do. That is why the approach is as it is.

Grant Shapps: There is a very powerful case in point here, which is carbon capture, utilisation and storage—CCUS. The Government have just committed £20 billion to the CCUS programme, but I do not think the country at large will have yet appreciated what is potentially involved. In a world in which the entire world knows that it needs to do something with its carbon, it so happens that this country has been absolutely blessed with our geography and geology, to the point where we have the ability to store about 200 and maybe 250 years of Europe's entire carbon under the North Sea—actually, in no small part, in the same holes that we have dug oil and gas out of in the past.

If you think about it in these terms, there are 78 billion tonnes worth of carbon. If you look at the price of carbon, Europe has an Emissions Trading Scheme that tends to be at about €90 to €100 per tonne—times 78 billion. This is essentially a multi-trillion pound potential export market if we want to do it, and we do want to do it. It does not mean that we have space for all that 78 billion. There are a lot of geographical surveys to do. There are lots of technicalities in running pipes back under the sea. You have to compress it. There are many different aspects to this, and transport and storage is a big part of it. The Energy Bill that your Lordships have kindly been helping to pass contains clauses to do with energy transport and storage. There are massive economic opportunities for this country that we should definitely be at the forefront of exploiting, and I intend for us to do that.

Lord Lilley: You did not actually reveal what the social cost is. Is it something that—

Lee McDonough: I do not have the figure in my head. It is publicly available so I can send it to you.

Lord Lilley: We will go and look it up.

Lee McDonough: I am happy to send it to the committee.

Grant Shapps: I think there are values that the IPCC has issued before: £252 per tonne of carbon, I think, is what the *Green Book* used. It is probably safer if we write back to the committee to confirm the exact cost.

Q13 **Lord Lilley:** When Professor Dieter Helm was asked to review our energy policy, he said that we wasted up to £1 billion by prematurely investing in immature technologies, not just as a pilot but going full-bloodedly for them before the costs came down, so everybody else got the advantage of lower cost but we are still trapped in high cost.

Grant Shapps: I had Professor Helm in for a fascinating discussion and, indeed, debate on the subject and I intend to continue it with him. I think we both accept that it depends on the timeframe that you make that argument in. Some 10, 11 or 12 years ago, when I remember sitting in David Cameron's Cabinet and we had a conversation about whether or not we should hit "Go" on offshore wind with a strike price of, I think, £155 per megawatt, I remember him saying at the time, "Perhaps we

should not do this: nuclear seems cheaper, even with the lifetime costs of looking after the uranium". Of course, we did it.

Subsequently, prices have come down. The last auction was £37.50 or whatever it became—among the cheapest energy available. The question is: do you measure only the first bit, the whole lifetime, or indeed, as with my discussions in Belgium yesterday, the export potential of the expertise involved in being the world's premier offshore wind-farm nation—with the exception probably of China, which possibly has more. But we have the world's largest wind farm in the UK; we have the second-largest; we have the third-largest; and we are about to build the fourth-largest, Dogger Bank 2. Most people in this country do not realise that we have gained such expertise, but when I go to speak, whether in Europe or indeed in Asia, Korea and Japan or in the States, they are all desperately after our experience and expertise, and it is a fantastic export market for us.

I do not want to put words into Dieter Helm's mouth, but I think we would all agree that it depends on whether you take the initial high cost and call that the cut-off, the longer-term costs of now some of the cheapest energy or the full-life cost, including the potential export and, indeed, the decommissioning of it. It is an interesting debate, but I am not sure it is clear cut.

The Chair: Thank you. I think we need to move on.

Q14 The Duke of Wellington: Secretary of State, could we go to electric vehicles, please? You just referred to them. Recently, the EU deferred the date by which diesel and petrol cars may no longer be sold. I think that we understood that that was under pressure from the German car manufacturers, but I think since then you have reconfirmed our own target date of 2030. I am pleased about that, but I wonder whether it is realistic in view of the fact that the EU has deferred. Presumably, it is going to be that much more difficult to comply with that deadline if Europe is some years behind us.

Could you comment on that and the related point? Although you have announced in our latest statements that £350 million is going to be invested in electric vehicle charging infrastructure, I believe that the amount of investment required is going to be many, many times more than that. Also, I understand that it will be necessary to increase the capacity of the grid considerably to enable these charging points to be serviced. Then of course there is the related point of whether battery manufacture, both technologically and actually, is going to be able to keep up with the demand for electric vehicle batteries. Those are all related points, and I wonder if you could comment on all of that.

Grant Shapps: They are all excellent questions. Briefly, on 2035 and the phase-out, I heard the same story so I went and talked to the European Commissioner about it and the story is not quite as has been reported. It is not a done deal in Europe at all. There is now a process in place whereby the Commission needs to come back with their proposals, and

they will surely come back with a very tightly defined proposal for specialist cars, perhaps in the sports category or something, but not for the general manufacture of an e-fuel or fuel of the sustainable aviation fuel type that I described before.

You might say, "Well, look, if it is okay for aviation, why do you not allow it for cars?" The answer is that there is no other solution for aviation. We cannot fly around the world if we do not sort this problem out and you want to meet these targets, but there is a solution for cars. We can have electric cars or hydrogen fuel cell cars. These technologies all exist already and, from a personal perspective, I can say are perfectly usable.

It is not a done deal in Europe. The Commission tells me it will be maybe a few thousand cars a year; we are not talking about millions of cars. Broadly speaking, because I dealt with this as Transport Secretary, there are about 15 or so manufacturers in this country. By and large, they have moved beyond this now. They are either already selling entirely or partially electric models or hybrid models, or they are working out how to get there. There is some discussion around the edges of between 2030 and 2035, what is the definition of a hybrid and those types of discussions going on, but I do not think it is much beyond that. Of course, e-fuels still emit CO₂ and other pollutants from an exhaust so it is not the total solution, but it is not as I have seen widely reported, and I am pleased to correct the record after my conversation with the EU Commissioner.

On electric vehicle infrastructure, yes, it is definitely a big challenge. When I became Transport Secretary, there were already about 10,500 public chargers. There are now about 40,000 public chargers, and we need many more. However, there are two interesting points about this. First, you mentioned 350 million. I think 381 million is the latest figure for the local EV infrastructure fund or levy as it is called. From doing that role, there are always a variety of different funding streams into this, so that is not the be-all and end-all. The interesting thing is that, if you talk to a petrol station or energy company such as BP and ask, "How much did the Government pay you to build this BP station here?", they look at you like you are mad. We have not publicly funded petrol stations, as far as I am aware, and certainly not from my time in government.

We need to get to a world in which the private sector is funding charging because it is a business that is worth being in. Over a period time, we will try to jump-start it, of course, but that is one of the things that will need to happen. However, the biggest missing point on this is that people wrongly imagine—probably because they live in London or in a city—that the vast majority of people do not have driveways or off-street parking. Actually, the status is exactly the other way around. The majority of people do have off-street parking. It is variously between two-thirds and 72%, as I used to find at the Department for Transport. The vast majority of people probably end up having a plug-in socket. They plug in at night, and since none of us lives at petrol stations—I wager no one here lives in a petrol station—but anyone who drives an electric car and

does have off-street parking may well effectively live in their own fuelling station, you leave home as you do with your mobile phone with 100% charge in the morning. The reality is that, as an electric car driver, I very rarely end up charging anywhere but plugged in at home.

Coming back to the fairness point, our big job is how we provide charging for those who do not have off-street parking. That is the government objective: social responsibility and what have you. That is where a lot of that money is focused. The levy scheme we were talking about, which is through local authorities, focuses on that side of the business, getting people able to drive who would not otherwise be able to drive because you have on-street charging.

That was a very interesting point about the grid. That is very much at the heart of what keeps me awake at night. We have to build grid capacity for seven times the amount of grid capacity in the next seven years as we have had to do for decades beforehand because of the shift of the economy towards electric. This is a huge task. However, we are helped with electric cars in the sense that they pretty much end up getting charged when they are not being used and that is usually at night. That is when the grid, even today, sometimes ends up shedding power. Amazingly, we end up paying producers to turn off their production at night sometimes. You see the wholesale price go negative sometimes at night, even now with the high energy prices. It can be quite a nice balancing factor. I think that there are new technologies that will help as well. Batteries can work in both directions, so you can use batteries in cars to store power, which is an interesting prospect, and then be able to allow that power back out into the grid and balance the grid better as well. I think that there are lots of exciting technologies.

Lastly, I am concerned about the Chinese hold on battery manufacture. They have very heavily invested, having missed out on the internal combustion engine. You will find several Chinese leading car manufacturers that are battery-electric. I think that it is important that the rest of the world catches up on battery manufacturing. That was a big part of the G7 discussion. There are some significant steps in place, and the UK is playing its part. There are one or two announcements that will come in due time. Interestingly, for example, we have been able to establish not one but two lithium processing sites. One of the companies is called Green Lithium. They are both in Teesside. They will probably provide about 15% of the lithium, which a couple of stages down the line go into batteries, for the whole of Europe. Interestingly, the founder tells me we can do that because we were able to change the way that lithium was classified, because we had the freedoms to do that post-Brexit. They have taken that freedom and decided to invest in the UK because we happened to get to the marketplace first with our legislative framework, which I thought was an interesting backdrop.

Q15 Lord Duncan of Springbank: You said there are 40,000 charging points. For context, how many petrol station nozzles are there in the UK as a means of comparison? I do not get any sense of that. I wonder if

your team could perhaps find the figure.

Grant Shapps: There are about 6,500 to 7,000 petrol stations in the UK. There will be more pumps than that because every petrol station has a number of pumps, but it gives you some sense of context.

Lord Duncan of Springbank: That is helpful, but if I think about petrol stations now in the Highlands, we can go from two pumps to eight pumps. Do we have a figure for it in terms of that scale or not?

Grant Shapps: I can give you a pump versus charger figure, which I can come back to you on. Certainly, about three years ago, we got to the point where I was able to say that there are more charging locations than petrol stations in the UK, but in fairness to your figure, individual pumps would be more.

However, I have the trump figure that beats even that. We talked about 40,000, but we have not talked about the 400,000 chargers that exist in people's homes. Again, unlike petrol stations, if you have a charger in your home, you may never use a charging station. It depends on the distance that you drive and the extent of your battery. It is a big factor that we often talk about the 40,000 but forget the 400,000 in people's homes. In fact, anywhere where there is a 13 amp socket, you could charge at a very slow pace, but I am talking about people who have had 7-kilowatt chargers put in their homes.

Lord Duncan of Springbank: Do we have a figure for the chargers installed in homes then?

Grant Shapps: Yes, it is somewhere between 300,000 and 400,000 right now. Besides, it is hard to know. We funded chargers at home so people could get discounts. I lost track. It got to about 300,000 and the discounts were withdrawn, and it never included all the chargers because there were always some charging manufacturers who never signed up to the scheme—for example, Tesla—but people still bought their chargers. I think we are probably in the region of 350,000 to 400,000 home car chargers, but again remember you can always charge an electric car even on a 13 amp plug at about six miles an hour. I am talking about decent chargers that will charge you overnight, there are 350,000 to 400,000. Again, I will check the latest figure with DfT.

- Q16 **Lord Bruce of Bennachie:** I wonder if I can ask you about the balanced transition away from oil and gas to net zero, because in every projection you look at every curve shows that we have a declining role for oil and gas, but it is declining over 20-plus years. Even at net zero, there is still a role for oil and gas as long as the carbon is offset, stored or utilised. Yet the oil and gas sector at the moment is saying that the climate for investment in maintaining their operations in the UK is unhelpful and unfriendly. The biggest operator in the North Sea, Harbour, has announced 350 redundancies, which is more than a quarter of its workforce, and Total has announced that it is substantially cutting back. Pretty well every other operator is reviewing their investment. Norway,

by the same token, last year sanctioned 50 new projects totalling \$42 billion, compared with just a few hundred million pounds in the UK. I think that political sentiment is the other part of the problem. Outside the carriage gates at the weekend there was a huge sign that said, "Shut Shell". I know that the British Government do not actually have the power to shut Shell, but that was the sentiment that people were expressing.

The industry is saying that a combination of windfall taxes and all the political parties' sentiments against the industry is encouraging them to move away from oil and gas investment in the UK, but not necessarily elsewhere in the world. Is there not a danger that, first, people will find that local sources are not available before the alternatives are fully available, and, secondly, revenue that is currently coming from oil and gas—which is being invested in transition and renewables—and indeed the technology, infrastructure and supply chain will be starved and, consequently, it will compromise the ability to achieve a transition that is both economically sensible and politically acceptable to people?

Grant Shapps: Yes. I agree with all of that, except for one thing that I would like to correct. This Government is not against oil and gas, and we believe that this is a sector that still has a very important part to play.

Lord Bruce of Bennachie: You have put a 75% tax on them and that has had an impact.

Grant Shapps: Yes, but taking the tax, for example, yes, you are right that we have taxed them billions of pounds and we have handed it to households and paid back half of their energy bills this winter and a third to a half of business bills as well. Yes, you are right. A lot of that was funded by taxing oil and gas firms at essentially 75%. However, if they reinvest the profits, they are not taxed. It has an end point in 2028.

I send the message loud and clear along the lines that I think you were describing. We actually think that they are a very important part of our transition. There is literally no point in cutting off our nose to spite our face, by closing down oil and gas in the North Sea, for example, and then proceeding to import that level of oil and gas from elsewhere, with at least twice the amount of embedded CO₂, which is the logic of those who seem to think that we must stop oil and gas today. I am afraid they fall into this logic hole where we end up having more CO₂. Let it be said: we are absolutely in favour of ensuring that oil and gas production remains in the North Sea, albeit that it reduces at about 7% a year, because that is the trajectory of the base, which is very mature.

Back in 2019, I think, it was said that there were 70,000 direct jobs already gone in the oil and gas chain, and in the supply chain above that, it would be more. It is a very mature business and it is reducing, but because I do not want to see us importing that oil and gas with more carbon, because I think that it is important that we have a smooth transition where energy security leads the way, because our plan is still to get us to net zero even with doing all of that, because, as you rightly

say, both the IPCC and the CCC say we will still require some oil, even in 2050—there are vital products which can only be gained from that—and because we have an enormous opportunity of carbon capture, utilisation and storage which, ironically, would use some of the holes from which the oil and gas has been taken, I think that the only sensible path is to do what you said. I hope I can be reassuring to our oil and gas sector that we both want and need them.

- Q17 **Lord Bruce of Bennachie:** I accept what you say and I accept that the Government have made those points, but it is a fact that the industry in the UK is revising its investment plans and specifically saying that the combination of the current Government's policy and all the other political parties' stated policies and public sentiment makes them feel that it is not a good place for them to invest. Are you not concerned that it will, therefore, compromise the situation? Is the Government prepared to engage with the sector to determine whether there is a deal, or whether the 75% is a transition that might be reduced? This has happened in the past when a windfall tax has been introduced. I am not an apologist. I have lived with the industry because of where I represented for 50 years, but I am now wholly committed to net zero as fast as we can get there, but I do worry we could make a big mistake and choke off one of the main means of actually getting there.

Grant Shapps: All I can say is that the Government is absolutely alert to everything that you have just said. As I say, they do not have to be taxed at 75%. Reinvestment removes that more punitive level of taxation.

I think that the public in this country appreciated—perhaps unwittingly, as most taxpayers were quite surprised to hear—that the Government has been paying around half of the typical energy bill this winter, not least because energy bills have gone up anyway. People say, "Really?" We could not have done that without the money from the oil and gas levy.

I am with you. There is nothing incompatible about being completely signed up to net zero by 2050, particularly with this country's world-leading example in renewables, offshore wind, what we will be able to do with CCUS—which few other countries in the world will be able to replicate because of our geology—hydrogen, which we have not discussed but the big hydrogen clusters we have described in the plan, and oil and gas. Using that 7% natural reduction a year is a big part of that. The IPCC say that the world needs to reduce by about 4% a year, I think—that is the figure that sticks in my mind—but we are doing it at 7%, so even with oil and gas, even backing it, we would still have a faster speed.

- Q18 **Lord Bruce of Bennachie:** Will the Acorn project in the north-east of Scotland be included in the carbon capture storage in the future?

Grant Shapps: Acorn is the next project on the list. I have already said in *Powering Up Britain* that we have both the track 1 expansion and a track 2, which we will get on with this year in 2023. Not only have we

paid £40 million towards the Acorn development already, but they are top of the queue for this in the future.

- Q19 **Baroness Boycott:** Where does the development of the Rosebank oilfield fit in? I know campaigners say it will push us out of being able to achieve our net zero targets.

Grant Shapps: I am being a bit careful because I have a quasi-judicial role in the planning side of things, and this is not actually on my desk as has been represented several times in the media. It is still with the official body that looks into this and I will await its prognosis and recommendations.

- Q20 **Baroness Boycott:** Completely changing tack here, we have been doing inquiries into the Boiler Upgrade Scheme. One of the problems we found was with the number of people who can install pumps and heat networks. How are you going to incentivise more people to retrain, whether it is financial incentives or giving a sense that the Government is invested in this and therefore it is worth my while to retrain? In the evidence we got, we also found there was a reluctance from some of the gas-boiler fitters to do this transition because they were saying "Maybe we will get hydrogen and maybe this is not the right thing we should be doing". There was a terrific stalemate within the whole industry towards moving this forward.

Grant Shapps: Yes. As I described before, it is a complex thing to move the entire country's heating from gas to something else. I understand that people have a lot of questions about it. That is partly because there are a lot of complexities and technical things to answer.

As I mentioned before, I am having a heat pump installed partly to find out what some of those problems are as a consumer and trying to get to the bottom of it. I do not have all of the answers to this stuff yet. That is why we are doing hydrogen trials as well. For what it is worth, we are expecting to support the retraining of 10,000 engineers in order to do the fitting through a heat training grant that supports engineers. I should say that is an England-specific figure. That is in addition to another £15 million that has already been committed to developing those skills. I recognise that to get to the very high numbers—600,000 was announced before I was in this role—we have to move a very long way. Making this transition to heat pumps as smooth as possible for people and clarifying whether we expect the country to go to heat pumps or to hydrogen, or indeed to electric or something else is incredibly important.

I will seek to bring clarity to this as quickly as possible, but my initial thinking is that, by and large, heat pumps are likely to deal with quite a large amount of the housing stock. There will always be edge cases where other technologies will be required. Hydrogen may have a role. You can mix hydrogen in for 20% without doing any upgrades we think, subject to testing more of this very soon. That is one of the reasons why we go to great lengths in *Powering Up Britain* to describe the process we are up to and be open to people on this whole heat and building strategy

and say we do not have the answers until we have the answers, and we will be transparent about that research as we carry it out. There are much larger budgets of £450 million that we have committed to this transition as well. We will put money into it as well.

Q21 Baroness Boycott: I do completely understand what you are saying, but if I was a heat pump engineer listening to that, I would think, "I do not have a clue what to do. Do I retrain? Do I go this way? Do I go that way?" When will you start?

Grant Shapps: To give a bit of early guidance, I think that there is massive interest in the market in heat pumps right now. They are all very busy. I know because I have had a couple of them around doing surveys. They are busy people right now, so I can see it is an expanding market. It is very unlikely to go away. But can I answer the question of whether we are going to convert tens of millions of homes to heat pumps today? No, not yet. Do I think that it is more likely in the future if I were becoming a gas engineer today? Yes. But there are many other issues. In particular, I am keen to ensure that we do not displace boilers, which are largely UK manufactured, with a foreign imported heat pump equivalent. Some 80% to 90% of domestic boilers are manufactured in the UK. I have a programme in place to ensure that we have homegrown heat pump manufacturers.

Baroness Boycott: All of these things came up in our inquiry.

Ben Rimmington: The two numbers the Secretary of State gave on training funding are for this financial year. It is a reasonably sizeable amount that shows the momentum we are trying to bring to that. That is related to the capital funding. We have to tie the training to the capital.

More generally on the heat pump market, do not forget the future homes standard I mentioned earlier. From 2025, that will require heat pumps in all new-build homes. We also have mechanisms like the heat pump market mechanism. That was part of the discussion in the energy security Bill. Various ways ought to bring more momentum to the heat pump market, which then will lead people to want to broaden their skillsets so that they can do heat pumps as well as gas fitting.

Q22 Baroness Bray of Coln: Following your recent announcement about the extension of the Boiler Upgrade Scheme to 2028, will that get additional funding? You talked earlier today about the fact that you were making money available. Will it be even more to cover those extra years?

Grant Shapps: I think the £450 million is an additional budget allocation, yes. Is that right?

Ben Rimmington: The £450 million that we have announced already is for the current spending review. We have announced the scheme will continue until 2028. We have not specifically named the numbers for the years going to 2028 because it is a demand-led scheme. We need to work out what the right numbers are. The Treasury has given us a £6 billion pot from which we can draw funding for the six years of the boiler

upgrade scheme. We can have confidence that it will continue with additional money in the future.

Baroness Bray of Coln: I think that we have discovered that there has been a source of drag on people wanting to go ahead with it because they do find that the costs are a bit overwhelming.

Grant Shapps: It is similar to electric vehicles, actually. When I got mine, I was one of 100 buyers that month. One out of 100 car buyers bought an electric car that month. It was quite an eccentric thing to do. Today, if you heard someone changed their car and bought an electric car, it is no longer an oddity, particularly because the second-hand market is coming around. I think the same will happen with heat pumps. They will go from being an unusual, slightly eccentric thing to do to become standard. As I mentioned before, major housebuilders have now said they are no longer installing gas boilers.

To answer the previous question, if I were going to train as either a gas boiler engineer or a heat pump engineer, I would be a heat pump engineer if I were training today.

Q23 **Baroness Bray of Coln:** The first year government funding was provided saw an underspend. Has that underspend money gone into the new pot?

Ben Rimmington: No, the new pot is separate because it is a future spending review. The Treasury does not allow us to push money into future spending review periods, I am afraid.

The underspend was not entirely surprising given the climate in which we launched the scheme, given the cost of living constraints that everyone was dealing with, for a demand-led programme. We do not think that there was anything wrong with the design of the scheme. We think spending will ramp up this year and next year.

Grant Shapps: The big thing that has changed—and, frankly, the big thing that made me start to look at it—is that we had major energy companies come along and cut the price of installation. The numbers floating around are something like £3,000 for Centrica and perhaps £2,500 for Octopus. It is difficult because it depends on the house. You have to have the house survey. This is after the £5,000 government grant. After the government grant, you get into prices that are similar to installing a regular gas boiler. That was not the case when we launched the scheme.

It is a bit like solar panels in the old days. I had solar panels installed 12 years ago. They were horrendously expensive and took a long time to repay. They did finally, I am pleased to say, but if I was putting the system in now, it would be vastly cheaper.

Q24 **Baroness Bray of Coln:** You touched on insulation. Earlier on we talked about this. You have more money now for providing more insulation help to certain households. You talked particularly about social housing stock and modern housing stock. Would you accept that there are still large

parts of the country where there are small villages and older housing stock, which will be much more of a problem and more expensive to get insulated? What can be done about that?

Grant Shapps: Definitely. In *Powering Up Britain*, I also launched a £1 billion fund called the Great British Insulation Scheme and it is intended for that exact audience. Previous schemes have all been aimed at social housing and housing associations, by and large. This scheme is specifically aimed at the type of housing that you have just described.

- Q25 **The Chair:** Can I ask just one other quick question on that? In *Powering Up Britain*, you said that there would be enhanced marketing for the Boiler Upgrade Scheme. One of the things we found in our inquiry was that, yes, there were some issues around the cost and the availability of installers, but there is also a fundamental lack of awareness by our consumers, which your own research bears testament to. What it did not say in *Powering Up Britain* was how much money that will be and whether it will be anything more than the social digital campaign that has already been welcomely increased in a small way in recent months.

Grant Shapps: I think the answer is that we are still working on it, unless you know—

Ben Rimmington: We have done some targeted digital over the first few months of this calendar year. We are looking at how we should sensibly develop that. It is not the kind of thing that probably lends itself to blanket media advertising. We want to be sensible and targeted for the people who are most likely to take up the scheme.

Grant Shapps: One of the things put in there is that I will look to try to ensure that we raise the profile. It was originally going to be called Eco Plus. We did not think it cut through and did not explain what it was doing. That is one of the reasons it has been renamed something people might understand. We will make sure that we do it properly, spend the money and let people know about it.

The Chair: Thank you. Colleagues, we asked the Secretary of State to start early so we have kept to our time limit. We will finish the meeting now. I would like to thank all of you for your candid answers. We have been very encouraged by what you have said, and we will continue our job of scrutinising you as you take this important agenda forward. We thank you very much, and with that, I close the meeting.