

Energy Security and Net Zero Committee

Oral evidence: [The work of the Department for Energy Security and Net Zero](#), HC 114

Wednesday 8 November 2023

Ordered by the House of Commons to be published on 8 November 2023.

[Watch the meeting](#)

Members present: Angus Brendan MacNeil (Chair); Vicky Ford; Barry Gardiner; Mark Garnier; Lloyd Russell-Moyle.

Also attended: Philip Dunne (Chair), on behalf of the Environmental Audit Committee.

Questions 144 - 255

Witnesses

[I](#): Claire Coutinho MP, Secretary of State; Lee McDonough, Director General, Net Zero, Nuclear and International; and Jonathan Mills, Director General, Energy Markets and Supply, Department for Energy Security and Net Zero.

Examination of witnesses

Witnesses: Claire Coutinho, Lee McDonough, and Jonathan Mills.

Q144 Chair: Good afternoon and welcome to the Energy Security and Net Zero Committee for this special meeting with the Secretary of State. We are delighted to have her with us and to see her in front of the Committee. Secretary of State, briefly, I don't know whether you want to introduce your aides, or do they want to introduce themselves? Name, rank and serial number usually does well for us.

Claire Coutinho: Thank you. I will let them introduce themselves.

Lee McDonough: I am Lee McDonough. I am director general for net zero, nuclear and international.

Jonathan Mills: I am Jonathan Mills. I am director general for energy markets and supply.

Q145 Chair: Thank you. As you will know, Secretary of State, there are many issues in the energy sphere that need to be tackled, and indeed, in energy security and net zero. To be clear, given what is going on this week, do you think that fuel poverty is a lifestyle choice?

Claire Coutinho: I was on the morning media round on Monday. As I said then, I spent a lot of time in social justice before I came into politics, and I worked with homeless people in different guises. It is for a lot of different, complicated and varied reasons that people end up on the streets—I think the comments that you are referring to are about those things.

Chair: I am mostly referring to the Secretary of State's remarks, and I want to see how you fit in with them.

Claire Coutinho: It is really important that we get people the help that they need, which is exactly what we are doing. We have £2 billion that we are spending on rough sleeping, and £700 million which we are spending on drug and alcohol addiction. That is the important thing that we are looking at—the underlying causes of why people get there. There are certain instances where people refuse help, often because they have very complicated issues in their life.

Q146 Chair: Do you mean a mental health issue?

Claire Coutinho: It might be a mental health issue, it might be an addiction issue—sometimes it's both.

Q147 Chair: Just to clarify, because I don't want to take too long on this—it should be quite easy for you, Secretary of State—do you think that fuel poverty is a lifestyle choice?

Claire Coutinho: As I have said before, and as I said on Monday, I would not necessarily have used those words because of the experiences that I have talked about.



HOUSE OF COMMONS

Q148 **Chair:** You wouldn't think it.

Claire Coutinho: However, she made a very clear distinction between people who were struggling in the way I have just spoken about, and people who, for example, had come over from abroad and were nuisance begging.

Q149 **Chair:** Can you not put some clear blue water between yourself and those kinds of remarks? It is quite easy to say that surely nobody is choosing to be in fuel poverty.

Claire Coutinho: No, I do not think anyone is choosing to be in fuel poverty. But as I just explained in my comments—

Q150 **Chair:** So it's not a lifestyle choice.

Claire Coutinho: I think there are varied reasons that people get into homelessness, and it is really important that we look at those underlying causes.

Q151 **Chair:** Okay. People will make of that answer what they will—thank you, Secretary of State.

The Prime Minister said in September that, at least for now, it should be you, the consumer, that makes the choice and not the Government forcing it on to you. Was it your choice to go with that policy, or did the Prime Minister force it on to you?

Claire Coutinho: The Prime Minister was exactly right in the policies he set out.

Q152 **Chair:** Was it your choice or his choice?

Claire Coutinho: I have worked with the Prime Minister for a long time, and we have spoken about our views on net zero and climate change for many years. I think it was exactly the right choice, and let me explain why. We have an incredible track record when it comes to cutting emissions. We have cut emissions more than any of our international peers. Even if you look forward into the future, to around 2030, we still have incredibly ambitious targets when it comes to net zero. We are planning to cut our emissions by 68%. The EU, for example, is planning to cut its emissions by 55%, and the US by 40%. I am going to take that as context. We have made small changes that have protected people from having to spend thousands and thousands of pounds, at a marginal cost to our climate change ambitions.

Q153 **Chair:** Was that your choice or the Prime Minister's choice?

Claire Coutinho: It was something that we worked on together.

Q154 **Chair:** So you and the Prime Minister chose this together?

Claire Coutinho: Yes, that is correct.

Q155 **Chair:** Thank you very much. That was quite easy to get to in the end. The Prime Minister made mention of scrutiny as well. Why was this announced at the very beginning of the recess, just as Parliament closed?



HOUSE OF COMMONS

If scrutiny is so important, why was that not announced to Parliament and done properly?

Claire Coutinho: There has been a significant amount of scrutiny of the announcement. I also made a statement to the House at the earliest opportunity. I am delighted to be in front of this Committee today for further scrutiny. Arguably, a lot of our policies in this area have been spoken about in the House before.

The point that he was making particularly related to carbon budgets, which are targets for reducing our carbon emissions—often very far in the future. His point was that the last time we debated a carbon budget, the debate lasted only 17 minutes. Arguably, that was partly because we feel very positively about reducing carbon emissions—that is a good thing generally. However, underneath that, there is a lot of detail which affects ordinary people's lives. So what he has set out, which I agree with, is that as we are debating where the target should be, we are also spending more time talking about how we get there and what real-world effects that will have on people.

Q156 **Chair:** Okay. Moving on to the energy bill support scheme, a lot of people missed out on that last year. Will anything be done for them, and what is going to be done for this winter?

Claire Coutinho: In terms of the energy bill support scheme, we worked incredibly hard to try and communicate to as many people as possible that—

Q157 **Chair:** They didn't even miss it by a deadline, by the date. They were due the money and didn't get it, and some people, because of how they lived and where they lived, were not accepted—the Radio 4 programme "Money Box" has done a lot of work on this. Why? The money was allocated and wasn't given.

Claire Coutinho: We did extensive communications around that. We even got, for example, local authorities to write to care homes and park homes to really try and reach out to as many people as possible. Where we have been able to be flexible, we have been. For example, even well after the close of the scheme, in one instance there was someone who had contacted us and we hadn't got back to them, so we made sure that we delivered the money to them.

In terms of the winter ahead, which will be on people's minds, energy prices overall have come down 55%. We are in a much better position than we were last winter, when we were spending £40 billion covering, on average, about half of people's energy bills—£1,500 per home. So this winter, we are in a better place in terms of prices. The energy price guarantee remains in place until spring next year. What we have looked at is having particular support for targeted groups. Part of that is looking at—

Q158 **Chair:** Will those who missed out get their money?

Claire Coutinho: In terms of the EBSS—



HOUSE OF COMMONS

Q159 **Chair:** Those who were due to get their money—will they get it?

Claire Coutinho: The people who have applied will get the money and we have tried to be as flexible as possible for everyone else. We are now looking at—

Q160 **Chair:** Yes, but a lot of people missed out. The stats are quite terrifying—the amount of people that missed out. Was this bad communication by the Government? You said there were communications on the go.

Claire Coutinho: We have put a lot of work in place—Jonathan might like to come in on this—in terms of communicating as extensively as we can. As I said, we worked with local authorities, so we were working directly on the ground as well as having that wider communication package. We really did try very hard. You would have seen that from the entirety of our programme last year, where we went above and beyond and further than most of our international peers, in trying to provide people with the energy support that they need.

Q161 **Chair:** Okay. I'll just hold that at the moment. There are two other areas I want to touch on. I have had letters from Wales and England about the undergrounding of energy transmission lines versus pylons, and looking for a working group to discuss and see the whole lifetime costs on this in regard to the planning policy statements. Would you be in favour of some of that? Would you be open to that request for a working group?

Claire Coutinho: As you will know, the electricity grids are of huge importance to us. That is something that we also included in the announcement that we made on net zero, and it is something that has been very much welcomed by investors in industry. In terms of how we take that forward, we are looking very carefully at the recommendations in the Winsor review and we will be coming back to the country with more detail in due course. I would certainly look at any example of close working that is suggested.

Q162 **Chair:** I have a request from solicitors in England and Adam Price at the Senedd in Wales to look at up-to-date information on alternative methods and technologies now available and to commission a working group to do that. Surely there is nothing wrong with taking a pause, having a look and making sure the right decision has been made.

Claire Coutinho: I have not seen that request, but I would be happy to take a look at it, if you could share it with me.

Q163 **Chair:** Okay, that is fair. My final point at the moment is that Germany has 89 days of gas storage, France has 103 and the Netherlands have 123. This was the stem of some sort of confusion on Radio 4 earlier this week—what is the UK's gas storage?

Claire Coutinho: The UK's gas storage has increased, but it is lower than that of our international counterparts—

Q164 **Chair:** Roughly how much lower?



HOUSE OF COMMONS

Claire Coutinho: Jonathan might like to come in on the exact figure in terms of those days—

Q165 **Chair:** Would 12 days ring a bell?

Claire Coutinho: The point is that the gas storage in the UK is always lower because we have our own domestic supply, in terms of North sea oil and gas. That is why we tend to have much lower storage than our peers. As you will know, we are making sure that we are protecting that supply into the future by mandating annual licensing. At the moment, we get about 50% of our domestic supply from North sea oil and gas, which is something that the countries that you mentioned will not have the same experience of.

Q166 **Chair:** The UK is 12 days and has always been about 12 days—is that what you are saying?

Claire Coutinho: No, I am saying that we have always been lower than our European counterparts, because we have had our own domestic supply—

Q167 **Chair:** What has been the top that we have had?

Claire Coutinho: I don't have that figure today, but we have increased our gas storage by about 35% year on year—

Chair: Well, putting it up 35%, we are up from nine to 12 days.

Claire Coutinho: That is still an increase—

Jonathan Mills: If our storage is full, that is about 12 days of gas in storage. The circumstances in which this country would have to rely solely on that storage are very, very unlikely compared with those for countries that do not have access to North sea oil and gas and to Norwegian pipeline gas. Those are very strong assets for us. In addition, we have access to the second largest liquified natural gas infrastructure in Europe. All those factors are different for the countries that you are talking about. Our gas storage is designed to cover shorter-term periods of very high demand, or infrastructure outages elsewhere, so it is playing a structurally different role.

Chair: Thank you. That is a very interesting and useful quote perhaps—“very unlikely” that it would be needed you say.

Q168 **Barry Gardiner:** Secretary of State, you know that I am very keen to keep the cross-party consensus that has enabled this country to move forward as much as we have over the past 15 to 20 years, so the first thing that I want to do is to thank you—I thank you or whoever it was in the Department who made it clear that the international climate finance pledge will be maintained. That was a real worry in the international community, and it is really good that the Government have clarified that.

Lee McDonough indicated assent.

Barry Gardiner: I see Ms McDonough, the international arm of your

posse today, nodding.

You will also know, Secretary of State, that Carbon Brief recently reported on the redefinition of some of the funds for how the ICF is being calculated. That redefinition by Government makes the difference of about £449 million. As I understand it, it also changes the balance of those funds, from being grant—which is of course very welcome to countries—to loan. Can you comment on that redefinition of what are considered to be qualifying funds? Why has that taken place? Is it because of pressure on budgets? Do you think it will have an impact on the way in which we are regarded internationally as shifting the goalposts?

Claire Coutinho: I think you are right to talk about the importance of international climate finance. It is something that I am personally very interested in. The shift that you are talking about comes in the context of us making our largest ever contribution—\$2 billion—

Barry Gardiner: I totally welcome that; I really do.

Claire Coutinho: I appreciate you welcoming that, thank you. The changes we have made include some of the donations that we make to multilateral financial institutions, partly because we have done a lot of work there to make them focus on climate finance as well. I have spoken to quite a few of my international counterparts at this point, and they have welcomed the fact that we have increased our donations and made such a strong commitment.

Q169 **Barry Gardiner:** Yes, but it is the redefinition of funds that I am talking about, because it makes a huge difference. As I said, it has been reported that that is regarded by other countries as shifting the goalposts. I don't know if Ms McDonough—

Claire Coutinho: I'll bring in Lee at this point, but I will just say that I have spoken at events with international climate finance leaders, and they very much welcome the strong position that we have taken in this area.

Lee McDonough: The main point I would add to what the Secretary of State has said is that the changes bring us into line with other donors' practices. I don't think that there is anything out of order with what we are doing; it just brings us into line with other international partners. As the Secretary of State said, our commitment to bring on the \$11.6 billion overall has been received very positively. We put a lot of effort into making sure, for example, of that increased focus that the World Bank and other development banks now have on climate change—that has been a big push by the UK—

Q170 **Barry Gardiner:** I wanted to ask you about the Bridgetown agenda and the way in which the international community is very reluctant to see the World Bank in particular given charge of loss and damage. Perhaps my first question on that should be: will the UK be pledging money to the loss and damage fund in advance of COP28, or is it an announcement for COP28? What are your plans on that?



HOUSE OF COMMONS

Claire Coutinho: The pre-COP conversations are going on at the moment. There was some conversation about this over the weekend, and I will let Lee update on that. We have spoken to international counterparts about loss and damage, working out the best way of doing that, and considering it alongside adaptation and mitigation finance as well.

Q171 **Barry Gardiner:** But a number of countries have committed so far. Germany, Austria, Belgium, Ireland, New Zealand and Canada have all committed to the loss and damage fund, but the UK has not. Can we anticipate an announcement? We have less than a month till COP.

Claire Coutinho: As you will know, often the announcements at COP come together very much at the last minute, but there is a lot of work being done on this. I will let Lee update.

Lee McDonough: As you know, the aim that we had was for the UK to deliver a fund that can operate at scale and support the most vulnerable, and we think that the Transitional Committee achieved that. Over the weekend, you will have seen the read-out of that. The Secretary of State is right that, as we head into COP, we need to consider the actions the UK will take.

Q172 **Barry Gardiner:** Continuing on the theme of the loss and damage fund, do you believe the World Bank should be hosting it? Many countries are deeply disturbed at the whole model that the World Bank has—it is loan funding, not grant funding—and countries in the global south regard this as putting them further into debt, further into difficulty and further away from meeting the very objectives that we are supposed to be helping them towards.

Claire Coutinho: I think the important thing is that we create a structure that is working in terms of making sure that people can maintain trust and integrity in that work. As I say, we are mid-negotiation at the moment. Hopefully, I can come back and update you with positive news, once we have got through the COP process.

Q173 **Barry Gardiner:** The negotiations are about funds. What about the hosting of the fund itself? That is the key issue for many countries. They do not trust the World Bank to do this. Over many years, they have seen what World Bank involvement has meant in their countries, and they are reluctant for these funds, which are supposed to directly help those most affected by climate change now, to be taken under the economic model that the World Bank is proposing.

Claire Coutinho: As I say, conversations are under way at the moment. I am not sure whether Lee would like to add anything.

Lee McDonough: I think you have covered it, Secretary of State. The key thing was that we made really good progress over the weekend, and we have a decision on putting a package of recommendations to COP, including the establishment of the fund, as you said, and the funding arrangements to support developing countries that are most impacted by the effects of climate change. That is a really positive step. I think the



HOUSE OF COMMONS

views that you are raising have been adequately aired and discussed, and I think we will have to see where we get to.

Q174 Barry Gardiner: I just hope the Secretary of State will take them into consideration during the negotiations. I am delighted to know that the UK has supported the Bridgetown agenda. How will you be taking that forward?

Claire Coutinho: I am glad that you have welcomed our support. I might bring in Lee to update further on the detail, but we are trying to do as much as we can in terms of everything at COP, and that is the work that we have been doing at the moment with our international partners.

Lee McDonough: I'm sorry; I don't know the detail behind that. We can follow up.

Q175 Barry Gardiner: Absolutely fine. I have two more questions and two more minutes, the Chair tells me. In this Committee's session this morning, we heard that we need more renewables, but there is no capacity to channel them down the grid, and therefore local generation and distribution networks are absolutely vital. What will the Government do to incentivise those and make sure that we deliver on them?

Claire Coutinho: It is an excellent question. It is absolutely the heart of what we need to do to achieve our very ambitious renewable targets. We are doing a huge amount of work at the moment. One of the things we did was, as you will know, to commission Nick Winser, our new electricity commissioner, to write a report, which was published at the beginning of the autumn. That is something that we are spending a lot of time looking at now. We will be responding to it imminently to try to make sure that we are creating more certainty about infrastructure location through a geospatial plan and looking at how we can give more certainty in terms of the planning system and community benefit systems. We are working very carefully on that detail.

Q176 Barry Gardiner: Will you look at the idea of community champions for local community distribution networks, and at the Government's incentivising and creating those posts so that these things can come from the bottom up?

Claire Coutinho: I will happily take that away and look at it.

Q177 Barry Gardiner: Thank you very much. Then I have a final question. The Government have stated that 20% of homes are not suitable for heat pumps. I have checked this out with every organisation that can possibly tell me where such a statistic came from. Nobody has been able to source it. Can you say why the Government have said that 20% of homes are not suitable for heat pumps?

Claire Coutinho: I think that is in—I am not sure exactly of the data source, but that is the conversation that we have had at departmental level—

Barry Gardiner: Everybody is talking about it; they are using that figure.



HOUSE OF COMMONS

But there is no data that I can find upon which it is based.

Claire Coutinho: What we have looked at is, basically, homes that are off-gas grid, for example, or homes that would require the level of insulation that would make heat pumps unviable—

Chair: Come back to us with where that figure of 20% comes from—I think that is the root of the question.

Barry Gardiner: That would be really helpful, Chair. And it just gives me time for my last—not a question, but an observation.

Chair: How many last questions are going on here? *[Laughter.]* I am very indulgent.

Q178 **Barry Gardiner:** And that was to say that, in your response to the Chair, you said that we must chart the fairest credible path to reach net zero. I would simply observe that that is precisely what the Climate Change Committee is charged with doing—the least-cost path to net zero—but it says that currently there are no credible implementation policies to achieve 38% of the targets that we have. How are we going to amend that?

Claire Coutinho: Their recent report said that the amount of credible policies that we have in place had actually increased. The truth is that we have myriad policies. We set out the most comprehensive set of policies that we had ever done in March of this year—200 policies across the board. And we have made progress, and the Climate Change Committee did welcome the fact that we had made “real and tangible” progress.

We are looking at how technologies might develop and the carbon budget for the period of the mid-2030s. And as we have seen in previous carbon budgets, where we have overshoot on every single one, it is often the development of technology, which we could not have expected, that has got us to that successful position.

We are obviously working at pace to make sure that we are developing the right products, stimulating the right innovation and encouraging the right finance. We are looking at all those things, but we will never have 100% completely mapped out for 2030 to 2035 what the policies will exactly be.

Barry Gardiner: Thank you.

Chair: For a moment, I thought you were going to impress him and give a shorter answer than the question—not quite. Vicky Ford.

Q179 **Vicky Ford:** When the Prime Minister gave his speech, he did recognise the impact that climate change is having in some parts of the world. He mentioned flooding, he mentioned fires and he said we need to get our emissions down. But for whatever reason, he left the impression with many people that the Government is no longer as committed as it was to tackling climate change. So, just for the record and answering yes or no, do you agree that climate change is a monumental threat to our planet



HOUSE OF COMMONS

and the people on it?

Claire Coutinho: Yes, climate change is of critical importance, both to me and the Government.

Q180 Vicky Ford: Okay. Do you agree that it is vital that we continue to show leadership in what is going to be a difficult journey of transition?

Claire Coutinho: We are showing leadership. And I think the point that I would reiterate is that if you look at our targets for 2030, we again are far, far ahead of all our international peers. The UK is planning to cut emissions by 68%, and the EU is at 55%. Recently, it rejected a move to increase its target to 57% in the last few weeks. The US is at about roughly 40%. We are already a world leader in what we have done to date, and we will continue to do so in the years ahead.

Q181 Vicky Ford: Do you agree that in this difficult journey it is important to take people with you and therefore that it is important that people understand not only about what the targets are for what we are trying to do by 2030 but about what they and others need to do to help achieve those targets?

Claire Coutinho: Yes, exactly. That is what we are trying to do through our very detailed plans, which I talked about before and which we set out earlier this year, but also the myriad work that is being done across different Departments is to help people to get on that journey. As I said, we have been very successful to date. We have overshoot on our very ambitious carbon budgets, in terms of the first and the second ones, and we are due to overshoot on the third as well.

Q182 Vicky Ford: Do you agree, though, that part of the Prime Minister's speech and how it was reported in the press left the impression of, "Actually, you know what? I don't need to buy an electric car or think about that. And you know what? I don't really need to care about recycling, because the Government says my bin doesn't really matter," and that may not have been the impression that the Government wanted to leave with people?

Claire Coutinho: I would actually reject that and I would point to the data that we now have on heat pumps, for example, where the changes that we have made to increase the heat pump grant to one of the most generous in Europe—up by 50%—have meant that the applications that we are seeing for the boiler upgrade scheme have now tripled on average on a weekly basis, compared to what we were seeing before. That would be backed up, for example, by what we are hearing from industry, which is seeing fivefold increases as well.

Q183 Vicky Ford: I am very glad about that. Of course, the UK is way behind every other European country in the installation of heat pumps. According to the stats I saw from *The Times*, we have one per 1,000 people, which is way behind not only Finland, Norway, France and Germany but three times less than Hungary. If we get three times more applications for heat pumps, that will be great.



HOUSE OF COMMONS

Claire Coutinho: Yes, we do have very different housing stock, but I agree that we are seeing a positive development.

Q184 **Vicky Ford:** I completely disagree that we have very different housing stock of all of our housing stock—sorry, Secretary of State. Recently, I walked down a street of 200 homes in my constituency, all built identically. At every door I knocked on, people complained about their heating bill, until I got to the one that had a heat pump installed. Every house could have had a heat pump installed on that street.

Claire Coutinho: We have an older housing stock. Just to give you an example of what I mean—

Vicky Ford: They were built in the 1950s.

Claire Coutinho: In somewhere like France, they have a lot more homes that are already heated based on electricity and, obviously, we are based on gas.

Q185 **Vicky Ford:** I am going to come back, but I really glad that we are moving on heat pumps. I will come back in on that.

The Prime Minister said that he wants the Government to be better held to account by scrutiny in Parliament and better debate of budgets, for example. How do you see that happening? How will you enhance the level of debate and scrutiny by this House of the net zero policy and therefore the buy-in from the public into that policy?

Claire Coutinho: The point that he was making, which I think a lot of people around this table would acknowledge, is that when you are setting something as significant as carbon budget 6, with all the ramifications of that for ordinary people's lives, the last debate we had in Parliament lasted 17 minutes. I cannot remember exactly how many people spoke, but I think it was fewer than five. Considering that we are talking about policies that affect people's homes and the way they transport themselves, and that those policies will have particular effects on industry, for example, we need to find a way so that, as we are debating the targets that we are setting for reducing carbon emissions, we are also having a more involved debate about the plans we are putting in place to meet those targets to make sure we can get public buy-in.

I would point to the situation we have seen in Germany where they had a mandatory boiler policy in place. When the public became aware of it, because they were not particularly paying attention beforehand unsurprisingly—why would they?—they obviously rejected it. Suddenly they were confronted with the fact that they were going to have to spend thousands and thousands of pounds they did not necessarily have, particularly considering how many families have struggled in recent years. I think it is really important that we are flushing those things out early through debate.

Q186 **Vicky Ford:** Thank you. How do you see this Committee playing a part in that debate and scrutiny? We have launched four different inquiries since we were set up just before the summer break. How do you see working



HOUSE OF COMMONS

with this Committee and responding to the suggestions that we make, which I hope will be made in a constructive way, so we can help with that ambition?

Claire Coutinho: I welcome the scrutiny of the Committee. Considering its inception, it has worked very well with the Department. I also appreciate reading the findings and the topical areas and considering the overlap with the things that we are looking to find the right policy answers on, for example the grid, affordability and things like that as well. I am keen to have a close working relationship and to work with you on your findings while also welcoming your scrutiny as well.

Q187 **Vicky Ford:** Just finally, on energy security as opposed to net zero, although they obviously go hand in hand, there has been great focus on the security of hydrocarbons since the war in Ukraine.

In the transition to net zero, there are many other raw materials that do not have secure supply, such as nickel, cobalt and steel. British Steel had just said it was going to establish the world's biggest monopile factory to build the offshore wind turbines and now the whole of our domestic primary steel capacity has a huge question mark over it because of the news this week. What are you doing across Government and with the Foreign Office to look at the security of supply of all these other raw materials that need to flow into our transition?

Claire Coutinho: You are right to raise this. Critical minerals will be crucial if we are going to achieve our net zero ambitions. We do have a critical minerals strategy, which was updated earlier in the year, and there was a conference led by the IEA in September, which Lord Callanan from my Department attended, partly because it is so crucial to our ambitions around net zero. That is something we look very carefully at. We also have potential in this country for some of the production of particular critical minerals. There are a couple of options—for example, in lithium—and I am hoping to visit one of them next year.

Vicky Ford: I urge you to look again at the security of supply with global geopolitical changes. It is crucial.

Chair: We are honoured to be joined by the Chair of the Environmental Audit Committee, the right hon. Philip Dunne. We have a full house—I am not sure if it is for the Secretary of State or for your presence here on the Committee, Mr Dunne, but the floor is yours.

Q188 **Philip Dunne:** Thank you, Chairman, and thank you, Secretary of State, for your response to my letter to the Prime Minister last month. You wrote an eight-page letter, which I think is the longest letter we have had from a Secretary of State during this Parliament. In it, you indicated that you do not intend to update the carbon budgets on a routine basis whenever there is a policy change announcement or change in economic conditions. I understand that you may not wish to do that continuously, but in order to scrutinise better, as the Prime Minister wants, how do you intend to provide an update for the Climate Change Committee, which advises the Government on progress towards the carbon budgets, to take into account



HOUSE OF COMMONS

the policy changes that were announced by the Prime Minister in September?

Claire Coutinho: We set out a very comprehensive plan with 200 policies in March this year, and the vast majority of them remain unchanged. While we will not produce an assessment every time we change one or two policies, we will of course look to make sure that we are updating you as and when is appropriate. We do already have the annual cycle of the Climate Change Committee, which will scrutinise us. It will provide a report, and we will provide a response; we have just done that in recent weeks. That is also something we can look at. Of course, as we move towards carbon budget 7, that will be another moment when we can take a strategic look at everything.

Q189 **Philip Dunne:** It might help the Government if you were to make such an analysis available. For example, let us take the policy change on zero-emission vehicles, deferring the mandated end of sales of new petrol or diesel vehicles from 2030 to 2035. It was not made clear by the Prime Minister when he announced that change that the mandate to have an increasing proportion of vehicle sales be zero emission was remaining in place, so that actually the change related to the 20% between 2030 and 2035, which I assume is also on a taper, because at the moment the mandate gets to 80% by 2030. The actual impact on emissions may be much less than commentators immediately thought from reading the Prime Minister's speech. Do you not think it would be a good idea to lay out what the emissions impact of that change is?

Claire Coutinho: I would refer to the Climate Change Committee cycle that I talked about, which was helpful in this instance, because it looked at those policies we announced and said there was no material difference. It did welcome warmly the ZEV mandate that we put in place, and we will have reflected that in our response. I hope that shows that the annual cycle will add value in terms of scrutiny.

Q190 **Philip Dunne:** I just urge you, from a scrutiny point of view, to give as much clarity as you can to the policy changes that can be reviewed by the Climate Change Committee.

Turning to the machinery of government, when the Prime Minister appeared before the Liaison Committee last summer, I asked him, in the light of the new Department of which you are now Secretary of State—congratulations on your appointment—having “net zero” in the title but some of the Cabinet Committee structures that were set up to help deliver the nationally determined contributions ahead of COP26 being dismantled, how he felt that the new structure would provide the same amount of focus across Departments. Although you have net zero in your title, you don't chair a Cabinet Committee that is trying to drive the nationally determined contributions across Government, do you?

Claire Coutinho: I think I'll bring in Lee to talk about the cross working that we have on net zero. We do have a Cabinet Committee run by the Deputy Prime Minister that looks at this issue, and it is welcome that it is that level of seniority in Government that is chairing the Cabinet



HOUSE OF COMMONS

Committee. Of course, we also play our part in talking to different Government Departments. Each Secretary of State will have their own responsibility when it comes to net zero, and that is also made very clear. It is not a question of them answering to us; they all answer to their own responsibilities as well. I think the Cabinet Committee does good work in bringing that together. I will let Lee speak on an official basis, but from what I have seen in the role, there is very close connectedness across Whitehall and widespread commitment to our ambitions.

Lee McDonough: Thank you, Secretary of State; there isn't much to add really. Obviously, the Cabinet Committee oversees and brings together all the ministerial discussions, and we have a comprehensive network at official level. I chair a cross-Whitehall group of DGs to make sure we are staying on track and flushing out any issues on delivery. In terms of individual Secretaries of State's responsibilities, you will know that we published our net zero strategy—the document that sets out the individual sector responsibilities—in October 2021, and that still remains. It is very clear what each Department, and therefore Secretary of State, is responsible for delivering. We keep track of that and hold individual Departments and Secretaries of States to account. That is part of the annual process, as the Secretary of State set out—

Q191 **Philip Dunne:** Sorry, who does that? Your implementation committee?

Lee McDonough: The Secretary of State is legally responsible for delivering on the Climate Change Act, but we hold them to account at the official level through the groups that I chair. Permanent secretaries also get together, and obviously we go up through the Cabinet Committee structure and have regular discussions on a quarterly basis.

Q192 **Philip Dunne:** Can you give any examples to this Committee of a failure by a Department to achieve its objectives, resulting in any change in action in relation to that Department?

Lee McDonough: Well—

Chair: Sounds like a “no” is coming.

Lee McDonough: There are always ebbs and flows in delivery. We keep track of how confident we are of delivery for each of the individual policies, and then each Department is responsible for meeting its effort share set out in the net zero strategy. If a particular policy is failing to deliver, is not delivering to the level we expected or is delayed, the responsibility of the Department and the Secretary of State in that Department is to find other policies to make up the difference.

Q193 **Philip Dunne:** Just to give you one example, often when Departments underspend their RDEL or CDEL, His Majesty's Treasury tends to recapture that funding, and it does not get reissued in the next annual budget. There have been quite a lot of examples of energy-efficiency programmes that have failed to deliver. Some have been run by your Department and some have been run by DLUHC, for example. Is there any evidence that that funding will be available for future energy-efficiency schemes?



HOUSE OF COMMONS

Claire Coutinho: We have secured £6 billion for the next Parliament for energy-efficiency schemes. The work that is being done now is to work out how you can best spend that. Rather than recoup underspends, we have secured more money, which means that we can always look at how the schemes can be best improved. That is really important, because the schemes that we have cover lots of different ambitions and types of schemes, and they will always need updating as technology and skillsets develop, and as the desires of homeowners and renters develop.

Q194 Philip Dunne: In this Parliament, do you expect that the Treasury will use, for example, the home upgrade scheme for heat pumps, which you just described? So little was spent out of the predecessor schemes, and although the grant has been increased by 50%, the overall quantum does not appear to have changed. Will you be able to secure more in the current Parliament for the next year to make that scheme achieve as many upgrades as the previous lower grant would have achieved?

Claire Coutinho: The amount that we have for the boiler upgrade scheme is £450 million. This is a welcome moment to clarify this, because there has been some commentating about how we would serve fewer homes with the increased grant. In fact, we were underspending the original amount by quite considerable amounts. It was £50 million in year 1, as opposed to £150 million. We are now hoping to spend all the grant that we can, because we have this increased uptake. That is something I will be monitoring very carefully. In terms of how we ensure we have enough funds going forward, we have that £6 billion over the course of the next Parliament. It is still being decided exactly how it will be spent, but some of it will be able to be spent on the boiler upgrade scheme.

Q195 Philip Dunne: It would be very helpful, Secretary of State, if perhaps you could write to the Committee on the boiler upgrade scheme to set out how many upgrades have been achieved, costing how much money in each of the years that it has been operating, and what is expected to happen this year.

Claire Coutinho: I would be happy to do so.

Philip Dunne: Thank you.

Chair: Thank you, I appreciate the timekeeping there. Barry Gardiner is going to take a maximum of 20 seconds and show that he too can keep to time.

Q196 Barry Gardiner: Just on co-operation across Government, you will be aware of the National Audit Office report that said that, in achieving climate and environmental objectives, the Government were acting in a way that was siloed and dysfunctional. What changes to the way in which you are operating have now made you so optimistic about the ability to control what is going on?

Claire Coutinho: I have to say that everything I have seen in the Department and the way it works with others has been impressive, but I will bring Lee in.



HOUSE OF COMMONS

Lee McDonough: Without a doubt, there are challenges in delivering such a huge system-wide change. The National Audit Office, as always, made some really constructive suggestions and recommendations for how we could improve our collaboration. We have considered them, but I will just reiterate that we have a long-established and comprehensive official level set of engagement, which works really well and has been doing so for many years. I am very confident that the information we get from Departments allows the Secretary of State and the Cabinet Committee—

Q197 Barry Gardiner: Will the NAO's recommendations and all of the Public Accounts Committee's recommendations be implemented?

Lee McDonough: I do not know the answer to that, but I can let you know.

Barry Gardiner: Could you write to us?

Lee McDonough: Yes.

Barry Gardiner: Thank you.

Chair: We heard some words on the Department there: it started off being "siloe and dysfunctional", then it was "impressive", and then there were some "challenges"—quite a remarkable rollercoaster of impressions of the Department. We turn to Mr Mark Garnier, deputy Chair of the Committee.

Q198 Mark Garnier: Congratulations on your promotion, Secretary of State. I would like to turn to the King's Speech and the new annual oil and gas licences that have been coming through—I have a couple of questions on this. First, when you look at the charts of what is going to be delivered, for example on the gas licences, our expected production of gas from 2022 to 2050 is going to drop by 97% or, if we bring in these new licences, it will drop by 95%. There is a similar sort of thing for oil production. At the end of the day, the oil production is diminishing massively by 2050, and actually it only slows it down a little bit in terms of the oil production.

Given the fact that oil and gas are traded on global spot prices—although obviously there is a cargo market as well, which people do not necessarily talk about—is this increased production actually going to make any difference to the price of people's domestic bills or at the pump at any level, particularly given the fact that this is not going to come through for several years at the earliest anyway?

Claire Coutinho: The NSTA has been choosing licences by looking at which licences will be able to be delivered quickly. The average delivery time is about five to 10 years at the moment, and they have specifically been picking projects that they think can deliver quickly. In terms of prices and bills, the energy prices are set at the European levels. However, I think it is an important point that this will flow into Europe's energy security, which we saw was very useful last winter when the continent was trying to wean itself off Russian oil and gas.



HOUSE OF COMMONS

However, we also earn a huge amount of tax revenue from this area. Over the course of the next five years, we are expected to raise about £50 billion from the oil and gas sector. It also supports 200,000 jobs, and all of those things mean that we are contributing to people's welfare, either through being able to raise public funds or not. In terms of broader energy bills, being able to have a thriving oil and gas sector that can transition at the right time to net zero also means that we are unlocking investment in a clean energy transition. It is the same communities and the same skills. We would not want to see those same people in communities lose their livelihoods and jobs too soon. The ability to hire highly skilled people—whether it is in marine-special technology, for example, or other things—will be very difficult if those communities do not thrive along the way. That will also ensure that we can transition effectively to energies like offshore wind and hydrogen, which will also enable us to have lower bills.

Q199 Mark Garnier: It is an important point. We do levy windfall taxes on oil and gas companies, but those companies can save themselves from paying those windfall taxes if the money is invested into renewables. The argument goes that if we give British oil and gas exploration companies more opportunity to make profits, the tax incentive system in place gives them an even greater incentive to invest into renewables. Is that a fair assessment?

Claire Coutinho: At the moment, that is exactly what we are seeing happen with the oil and gas companies. I have spoken to several that are investing in new technologies, which is bringing jobs and employment, and helping us to achieve our net zero ambition. What we would not want to do is send those same jobs and people abroad, because we know that even when we get to 2050 and a net zero scenario, we will be looking to oil and gas for a significant amount of our energy needs. We want as much of that oil and gas as possible to come from here.

Q200 Mark Garnier: Yes, that's fair to say. My next question is about what effect this change will have on investment by non-oil and gas companies into renewable energy—so, independent renewable energy companies. There is an argument that if you give consumers an alternative so they can continue to use oil and gas, there will be less demand for investing in renewable energies. Therefore, those renewable energy companies won't have the incentive to the same extent that they had before.

This question opens up a whole load of other questions about how we look at the financial markets and the ability of all these companies to borrow money to raise credit and equity investment. We have had a number of oil and gas companies, or energy companies, come in. When I questioned them, they raised the point that because of what is going on in the UK—because of the political discourse in this country about potential greater windfall taxes, and them being almost pariah companies because of the carbon emissions that come from their products—British-based oil and gas exploration companies and energy companies have lower credit ratings than their counterparts in other countries.

Because you have experience of working in financial markets, I am



HOUSE OF COMMONS

interested in your opinion on how we discuss and debate this. Ultimately, one of the great things about this country is that we have very strong and stable financial markets with a great ability for people to raise cash, and yet we are creating ourselves a situation where it is increasingly difficult for companies to be able to raise money, one way or the other, to invest in energy because of this political discourse. Do you have any thoughts on that?

Claire Coutinho: That's an interesting question that I can take away. I have spoken to various people across industry—I think about 200 so far in terms of investment and energy stakeholders. The credit rating point hasn't been raised with me, but I will go and sense-check that. The important thing is that overall, we have a positive investor landscape. That includes having the right levels of skills and access to finance, and the right policies in place when it comes to access to the grid and planning, for example. That is the work we are doing at the moment, but I am happy to look into the point about credit ratings and come back to you.

Q201 **Mark Garnier:** It would be very interesting. I will come back to the grid in a bit, but I am interested in whether you think personally that we are doing enough to try to attract investment into the sector in our country, and that we are competitive against other countries.

Claire Coutinho: One of the things that has been welcomed by industry is the fact that we are now mandating annual licensing, thereby giving them certainty that they can have that churn of licences. We saw an industry body say that yesterday. Outside of that, the conversations that I have with them and right across the energy sector are about making sure that we have the right sorts of policies in place to progress new technologies. As I said, skills and planning and the grid are the main things that have come up.

Q202 **Mark Garnier:** Just one final point. Perhaps I can ask you this, Jonathan Mills, because you were talking about how gas storage is as it is in this country because of the amount we produce in the North sea. Looking at the chart with the potential decline over the coming years, how important is it that we have more gas fields coming onstream because of that necessity to meet demand, given the fact that we haven't got the same storage arrangements as other countries?

Jonathan Mills: North sea gas has been a huge asset to our energy security. As the Secretary of State said, although the role of gas will change in the future, it will still be important, including in carbon capture and storage in power generation. Our ability to extract gas from the North sea not only helps our energy security, but enables us to support gas security on the continent because we are interconnected with continental Europe. That is absolutely part of our energy security strategy as we transition through to different technologies in the future.

Mark Garnier: Fantastic. Thank you.

Q203 **Chair:** Given that there is only going to be about half the gas produced in about 10 years' time as is at present, will the storage have to increase,



given your argument?

Jonathan Mills: We have said that we want to do further work on the future role that flexible supported sources of gas supply will play. It is something we set out that we would do in the "Powering up Britain" publication earlier in the year. Obviously, we do expect that while we have a decline in production, there is also a decline in consumption.

Q204 **Chair:** But given that you have said you don't need much storage because you get so much production, if you are going to be halving production in a decade, surely therefore by your argument you will need more storage? Surely, doesn't night follow day here?

Jonathan Mills: There is a set of factors we have that gives us diversity in our gas supply. North sea production is one; our pipeline connection to Norway is another; our ability to import liquefied natural gas at scale is a third; and, indeed, our interconnection into continental Europe is a fourth. So, we have that well-diversified supply. The North sea is a really important indigenous asset for us, and it contributes to the energy security of Europe as a whole. As those factors change, we want to look and check whether the balance of flexibility is still right. It is not just about the amounts coming through; it is about the patterns of demand as well, and how it varies across the year.

Q205 **Chair:** I just checked the graph and it's not going to be half—it's going to be a third. I am not hearing any major urgency for storage to come in, given you said that production was there instead of storage. So, as production goes, surely storage is coming in?

Jonathan Mills: As production changes, demand changes. The imports available from other sources also change. At an annual level, there are changes in all those variables. The role of storage is not just about the annual amount; it is also about how the pattern is changing across days and across seasons, and the extent to which it is stable versus volatile. That is what we are looking at: how that role might change in the future and what that means for the sort of storage that we need.

Claire Coutinho: I just want to add that I think it is worth considering the considerable change we are expecting in terms of demand for oil and gas. If you look at the amount of our energy consumption that comes from oil and gas now, compared with what we would expect in 2050, it will be considerably lower.

Q206 **Chair:** Presumably, it would have to be at about a third in 10 years' time not to need any more storage then?

Claire Coutinho: At the moment, we get about 70% of our energy consumption from oil and gas. In data that the independent Climate Change Committee published, the amount that we would expect to get in 2050 when we reach net zero is about 25%, so it is considerably lower. That is because we are, as you will know—

Chair: I am talking about in the next decade, but time has gone on.



HOUSE OF COMMONS

Q207 Philip Dunne: Would it be possible to write to the Committee and indicate what proportion—say, over the last 10 years—of both oil and gas extracted from the North sea has been supplied into the UK?

Claire Coutinho: Yes, I would be happy to write to you. In terms of gas, we get about 50% of our domestic supply from the continental shelf. In terms of oil, it is much harder for us to assess exactly. It goes to the European continent to be refined, and while it will then come back, because we are a net importer overall, we cannot track molecule by molecule where each molecule comes from. However, I would be happy to write and clarify.

Jonathan Mills: We publish quite a lot of this in our digest of UK energy statistics and similar publications, so we can highlight the appropriate sections of that for the Committee.

Lee McDonough: The Secretary of State said it, but if I could just reiterate that the proportion of our energy supply coming from renewables is increasing at a steady rate. On average, we are over 40% already and that is expected to increase significantly.

Chair: That is denominated in gas prices, which gives us quite a difficulty.

Q208 Mark Garnier: But it is also not base load or dispatchable, is it? So ultimately you have to prepare for the worst-case scenario, which is that there is no wind and it is the middle of the night, and therefore you obviously have to have nuclear input.

Lee McDonough: That is why our nuclear programme, which I am sure the Secretary of State will refer to—

Chair: Before we enter those questions I am going to come to Lloyd Russell-Moyle. From a Scottish point of view, I am delighted to hear a Secretary of State so positive about North sea oil, given that just before 2014 there was going to be none of it there at all.

Q209 Lloyd Russell-Moyle: There are two conditions that you published in the King's Speech for these annual licences. One is that we remain a net importer, and the other is that carbon emissions associated with gas must be lower. Why is there not a condition that the carbon emissions with homegrown oil have to be lower?

Claire Coutinho: It speaks to the previous point I was making that in terms of gas, we can track very clearly where we get domestic supply from, so we can track the emissions of that. We know that the emissions of liquefied natural gas, which we have to import when we fall short of overall supply, are four times higher, so that is a very clear comparison that we can make. When it comes to oil, because we have the situation where it is refined abroad and then comes back, it is much harder to track the domestic production into the refinery coming back into the UK and the overall emissions. That is why we have looked to have a target when it comes to oil as well to ensure that we are thinking robustly about both energy sources. For that, we have decided that we should look at whether



HOUSE OF COMMONS

we are a net importer or not, because where we are importing oil from abroad, we should be making the most of our own resources here.

Q210 Lloyd Russell-Moyle: I get the net importer clause; that is fine, and we all understand that. You are saying that it is too difficult to work out whether oil produced in Britain is more or less carbon intensive than oil produced elsewhere, but we can do that calculation with gas.

Claire Coutinho: As I said, there is a much more complicated market flow when it comes to oil than when it comes to gas. That is why we decided to have a robust as possible emissions target on gas, but also look at the importer qualification on oil as well.

Q211 Lloyd Russell-Moyle: So the importer qualification is for oil and gas—it is not an importer qualification for oil as well. There is an importer qualification for oil and gas, then there is an additional qualification for gas that is around its commitment to climate change. What you have here is no commitment around the impact of climate change around oil exploration. When the Bill comes, would you have any desire to include at least targets around the carbon qualifications of oil?

Claire Coutinho: As I've said, I think that we should include things in the test that are measurable so that we can have clear and robust methods to use those tests.

Q212 Lloyd Russell-Moyle: So the answer is no.

Claire Coutinho: When it comes to oil, the clear test that we have put in place is around being a net importer.

Q213 Lloyd Russell-Moyle: No, that is a test that you have put in place for oil and gas.

Claire Coutinho: Exactly.

Q214 Lloyd Russell-Moyle: I am not interested in tests that are for oil and gas. You have a test that is only for gas. What is the equivalent test only for oil? Do you not have one?

Claire Coutinho: We used, as I said, a process of ensuring that as we support our oil and gas sector, we have had the most robust tests possible, and I believe that these are those.

Q215 Lloyd Russell-Moyle: Okay, thank you very much. Moving on to something slightly different, in terms of energy supply for customers, last winter we saw a situation where many customers got into fuel poverty and a lot of customers struggled in their relationship with their energy companies. The ombudsperson has upheld almost double the number of complaints that they did only three years ago against energy companies, particularly around the threat of bailiffs and the failure of energy companies to work with customers. When we had the energy company chief executives in, they were lackadaisical—I would say that is the best way that I could describe it—in meeting the requirements that Ofgem insisted that they meet in response times and customer support. Do you have any concerns about rising complaints against energy companies and



HOUSE OF COMMONS

their failure to support customers, and what are you doing about it?

Claire Coutinho: Of course I think that energy suppliers should treat their customers fairly and particularly have regard for their vulnerable customers. I have spoken to Ofgem, and it is setting out new standards that will come into force in the middle of December looking specifically at those issues. Customer service is of course incredibly important when it comes to people's domestic energy supply. In recent times, I know that Ofgem has issued multimillion-pound fines when people have had poor customer service, and I have reiterated to it that we would like to ensure that vulnerable customers in particular are protected. It is for Ofgem to regulate that, but we have conveyed, in the strongest possible sense, how important that is to us, particularly with regards to things like pre-payment meters, where, last winter, we saw activity of the kind we would never want to see again.

Q216 Lloyd Russell-Moyle: The ombudsperson currently takes eight weeks to turn around a complaint, while energy companies are operating at a much faster timescale than that with bailiffs and the imposition of enforced pre-payment meters. Is there a problem with the fact that those two timescales do not match?

Claire Coutinho: I would be happy to look at that; the conversation that we have had is about making sure that vulnerable customers are protected. It is putting all the checks and things in place to make sure that, if you are in a household who cannot afford their energy due to a vulnerability, you are being protected.

Q217 Lloyd Russell-Moyle: If a customer has made a complaint to the ombudsperson, do you think it's right that the energy company then continues with enforcement before the outcome of that complaint?

Claire Coutinho: I might bring in Jonathan to speak to the detail, but I think it is incredibly important, when you are talking about fitting meters, that there are enough checks in place, that the customer has been contacted lots of times and that there is enough time for the customer to speak to the supplier. The conversations that I have had with Ofgem have looked at, where customers are getting into trouble, having the right standards in place so that suppliers are supporting them through that difficulty as best they can. Now, that might look like having options—whether, for example, that is having breathing space or affordable restructuring, where appropriate—but I think that it is very important that suppliers are trying their best to support customers where they are running into difficulties.

Q218 Lloyd Russell-Moyle: I want to know what the role of the ombudsperson is in this. That is the problem that I am concerned with at the moment. Jonathan?

Jonathan Mills: In relation to pre-payment meters, which is the issue that you were asking about—

Lloyd Russell-Moyle: No, I am talking about the ombudsperson delays. Part of that is about pre-payment, part of that is about bailiffs and part of



HOUSE OF COMMONS

that is about disputes that you might get into with your energy company about the level of bill that you have got.

Jonathan Mills: You asked a question about whether the pre-payment meters should proceed.

Lloyd Russell-Moyle: It was about whether it is right that all procedures—that might be bailiffs, because of debt; it might be enforcement notices; or it might be pre-payment meters—are being pursued while there is an eight-week wait for complaints to initially be heard by the ombudsperson.

Jonathan Mills: The regulation here is set up by Ofgem, and I know that, in relation to their customer standards and to pre-payment meter forced installation, which is the other example that we were talking about, they have looked really hard at what checks need to be in place before companies are allowed to take action. In the case of pre-payment meters, there have to be at least 10 attempts to contact a customer, an on-site welfare visit and tighter controls around who that can be applied to. I know that, as part of that, they will have thought about the role of the ombudsman, as well.

Q219 **Lloyd Russell-Moyle:** What is the Department's view on the role of the ombudsperson here?

Jonathan Mills: We support Ofgem in working with the ombudsman in making sure that there is an independent route for people to go to once they have attempted to go through the company complaint procedures that the companies are required to have in place. The way in which that operates is the responsibility of Ofgem.

Q220 **Lloyd Russell-Moyle:** Do you think, Secretary of State, that the ombudsperson is fully equipped to hear complaints, seeing as complaints have more than doubled and there is over an eight-week delay in hearing complaints?

Claire Coutinho: I think the really crucial point is that customer service has improved so that you see less people going to the ombudsman, because, ultimately, that is not what you want to see. As you will know, having a complaints process and then following up with an ombudsman is the normal structure for many things in life. However, I think the really important thing is that we are making sure that positive customer service is normalised across the piece, so that there are fewer complaints.

Lloyd Russell-Moyle: But that is not the case at the moment. In the last quarter, complaints to the ombudsperson increased again and were upheld in record numbers. So, yes, it is a laudable aim that we don't want any complaints, but complaints are increasing—they are on the rise—and are being upheld, and the ombudsperson's delays are getting longer. Have you had a conversation with the ombudsperson about dealing with those delays?



HOUSE OF COMMONS

Claire Coutinho: That is a matter for Ofgem, but I will say that I don't think we should be complacent about those complaints that you talked about. The new customer standards are coming in, and the point of those customer standards is to make sure that Ofgem is better regulating companies in order to reduce the number of complaints they are getting, because they will have more appropriate, timely and suitable customer service.

Q221 **Lloyd Russell-Moyle:** Do you think the imposition of pre-payment meters is acceptable?

Claire Coutinho: I have spoken to Ofgem about the imposition of pre-payment meters on vulnerable customers, particularly to ensure that they are protected from measures that would cause them great harm. That is the work being done at the moment.

Q222 **Lloyd Russell-Moyle:** You would not support the calls from many campaign groups to outlaw forceful pre-payment meters.

Chair: Surely, that means automatic disconnection for people. The money runs out and there is no electricity at all; they have no energy.

Claire Coutinho: Across the board, if you are not in a vulnerable household, and you are running into bad debts, that needs to be addressed. Otherwise, those debts get passed on to every other single energy customer. Although it is really important that there are—

Q223 **Chair:** So, it's not a question of poverty and inequality?

Claire Coutinho: Although it is really important that there are debt-support measures, whether that is helping people restructure, giving them breathing space, ensuring you are picking up problems quickly when you can see people struggling to pay their bills, there has got to be—

Q224 **Lloyd Russell-Moyle:** But are enforced pre-payment meters the right tool there, or should that be through other methods?

Claire Coutinho: I wouldn't ban them on the whole, unless we have a way to make sure that bad debts cannot accrue across the piece. I am particularly concerned to ensure that vulnerable households are protected, and that we have mechanisms in place to pick up quickly when people are getting into bad debt, and that they are offered support.

Q225 **Chair:** If they were banks, they would get a bail-out. These are very poor people who will be left without any energy at all. If they were a bank, they would get a bail-out. The Chancellor would not blink—he would print £420 billion of help and shrug his shoulders—but when it comes to poor people there is a problem.

Claire Coutinho: I think it is really important that bad debts are not left to accrue across the piece. Otherwise, other energy customers will pay.

Q226 **Chair:** But it happened in banking, which had huge bad debts.



HOUSE OF COMMONS

Claire Coutinho: It is really important to protect vulnerable customers. That is the work that is being done now. When we saw the abhorrent—

Q227 **Lloyd Russell-Moyle:** Fundamentally, should someone be cut off? That is the question, is it not?

Chair: Yes, that is the question.

Lloyd Russell-Moyle: Should someone be cut off?

Claire Coutinho: We have a plan in place where vulnerable customers have been protected, where they are not having pre-payment meters forced on them. The work that Ofgem is doing is to make sure that is properly regulated, so that it is being done in a responsible way. There does need to be a plan in place to make sure that bad debts are not accruing.

Q228 **Lloyd Russell-Moyle:** Water and other vital services cannot be cut off. Are you saying that, with energy, you still think fundamentally that people should be cut off, either through self-disconnection or forced disconnection?

Claire Coutinho: I think there needs to be a plan in place to ensure that you do not have bad debts accrue, because that gets passed on to other customers. You need to have some plan in place to make sure that that is supported. As I said before, you need to ensure that vulnerable customers are protected.

Q229 **Lloyd Russell-Moyle:** One of the ideas we heard from support groups and energy companies alike was a social tariff. There were even further ideas around block tariffs. Is that something the Department will get serious on?

Claire Coutinho: There are three ways that I have been thinking about energy affordability and people who are struggling. It is something that I deeply care about. Before I came into Parliament, I worked with people who are disadvantaged. First, there are the broad-based problems people are having in costs, which we are trying to address through the benefits system to ensure that people have enough income, so we have increased the level.

Lloyd Russell-Moyle: That is the £300 given to people on benefits.

Q230 **Chair:** Can you quickly spell out the measures?

Claire Coutinho: We have increased the level of benefits by inflation. There is a £900 cost of living support package that is going out over the year, which includes the £300 that you just mentioned, which has been going out in recent weeks. There will be another payment in spring next year. There is also support for pensioners, for example. Again, we have increased pensions in line with inflation, and there is a winter fuel payment, as well.

Q231 **Lloyd Russell-Moyle:** We've got the payments part; what is the second part?



HOUSE OF COMMONS

Claire Coutinho: So, that is for the people who are broadly facing costs across their lives and struggling. There is the targeted support for people who are specifically struggling with their energy costs. For that we have the warm home discount and things like the cold weather payment. We have made the warm home discount more flexible to cover more people, and we have increased it.

Q232 **Chair:** How many days is the cold weather payment? What triggers the cold weather payment? Could you remind us?

Claire Coutinho: The cold weather payment is triggered by sub-zero temperatures over seven days, I think it is. Then it is a £25 payment per day, from memory, but Jonathan can correct me if that is wrong. The warm home discount is automatically applied for most people, and is £150. I am interested in looking at the flexibility of the warm home discount, partly because it targets both people who are low income and people who have high energy costs. The third part is working with Ofgem and suppliers on the people who are getting into problem debt, which is a slightly different group, and making sure that those people are properly supported.

Q233 **Lloyd Russell-Moyle:** So a social tariff is off the table, in your mind.

Claire Coutinho: I think that when people argue for a social tariff, they are arguing for people to get support with their energy bills.

Q234 **Chair:** It seems to be, doesn't it? Ultimately, there are people falling through the gaps. Scottish Power has gone to put prepayment meters into people's houses, which means people are going to fall further through the gaps, and that is not being addressed. If any of your schemes were working, this would not be happening, and that is a concern.

Secretary of State, I want to move on, because time is short. I want to mention contracts for difference. There are many stories coming to my ears about contracts for difference. Bloomberg news recently reported that Drax power station exploited a loophole in the CfD subsidy contract by moving generation between units at the Yorkshire plant, which effectively deprived the UK of nearly £700 million. This is money that suppliers and consumers would otherwise have received back, says Bloomberg, from their electricity company, just when consumers needed it most. At the same time, Drax gave record profits last year of £150 million to investors through share buy-backs.

Now, Drax is asking the Government for more money from bill payers and is negotiating right now with the Government for subsidies until 2030. Can the Energy Secretary confirm that such loopholes will be closed, so that Drax, and others that may be exploiting the CfD system, cannot do this again and the energy market becomes a fairer deal for everybody involved?

Claire Coutinho: From memory, we get about 10% or so of our electricity supply from biomass. I think it is really important that that is genuinely net zero when we are using those schemes. That is policy that we are developing at the moment. We have a strict biomass sustainability



HOUSE OF COMMONS

standard, and we set out a strategy, I think, earlier this year—Jonathan might correct me if I am wrong. What is important is that that is robust. We are looking at that at the moment to make sure that, if you are using biomass, it is genuinely net zero in terms of emissions. That is really important.

Chair: And the CfDs—

Claire Coutinho: That's the work that we are doing at the moment. We have some rigorous biomass standards in place, but we are trying to make sure that those are as robust as possible.

Chair: We just talked about people in fuel poverty and then £700 million—

Vicky Ford: How can burning trees be okay?

Lloyd Russell-Moyle: It's not.

Chair: Secretary of State, we are wondering whether you have another five minutes, because Vicky Ford and Mark Garnier, I think, might both like to come in again.

Q235 **Vicky Ford:** The Committee wanted to ask a few questions on homes. We are doing a big review into heating our homes this winter. This morning we heard a massive plea: on every new home that would be suitable for a solar panel, please will you mandate a solar panel with battery storage? Every time we say there should be a solar panel on the roof of every new house, the Government come back and say, "But there are some houses that they do not suit." Please, for the houses that they suit, can we put a solar panel and battery on? Why don't we do that?

Claire Coutinho: There is work being done across Government at the moment to look at the future homes standard, and that will be the place to look at this. Those conversations are taking place.

Q236 **Vicky Ford:** Okay. Why aren't we going to make decisions about putting a 20% hydrogen mix into our gas pipelines until 2026?

Claire Coutinho: Various countries are doing hydrogen trials. The Netherlands is one. I think Germany, Australia and Canada, from memory, are some of the other ones. Like the Netherlands, we have a particular heating system, which has a very extensive gas network. That is unlike many of our other peers, so we think it is worth doing our own trial to see—

Q237 **Vicky Ford:** But why 2026? There are trials going on. Can't we do it faster?

Claire Coutinho: We are constructing the first trial, which is in Fife, and we were looking at the proposals—

Chair: We should be visiting.

Claire Coutinho: The village trial is in Redcar, but we are working to do that at pace. As I said, the final decision will be in 2026, but because we



HOUSE OF COMMONS

have such an extensive gas network, I think it is worth our looking at that as an option.

Q238 Vicky Ford: We would encourage you to go faster. Which? did a survey which shows that nine out of 10 people say that they are really worried about high energy bills, and seven out of 10 worry about their homes being warm this winter. Only half of them have considered putting home insulation into their houses in the past five years, even though on the whole they have poorly insulated homes. What has gone wrong with previous Government programmes to get homes insulated, and what are we going to do about it?

Claire Coutinho: I think it is worth saying that we have actually come a long way. In terms of homes that have reached energy efficient standards, we have gone up from about 14% in 2010 to about half of all homes now, which is considerable progress. In terms of the emissions that our homes put out, I think we have made the second largest reduction in the G20—Jonathan may correct me if that is wrong. We have come a long way, but we are very proactive in what we have to do next. We are spending £20 billion, over the previous Parliament and this Parliament, to make sure we can help people get the home insulation they need.

Q239 Vicky Ford: Well, clearly people aren't doing it.

Claire Coutinho: I have been meeting with industry and, for example, green finance lenders, to see how we can best encourage people to do so.

Vicky Ford: I would love to do a show-and-tell so that people who have made really good changes to their houses are encouraged to show their neighbours—show one house, and get others to do it. I would love the Government to set a little bit of money to show and tell your neighbours about what you have done. I don't think people believe Government or their energy supplier, but they do believe their neighbours if they see good practice.

Chair: While you are planning this show-and-tell, we'll go to Mark.

Q240 Mark Garnier: Very quickly, on hydrogen gas distribution, we have this huge gas distribution network, but as I understand it, because hydrogen is a teeny-weeny molecule it will go through the system, but it will leak like anything. You will have to renew the whole of the gas network system if you want to run hydrogen through it. Are you aware of this problem?

Claire Coutinho: I have spoken to people who are setting up the trials. I don't think that is necessarily always the case, depending on the lining of the tubes that are already in place. That is why it is worth doing the trials, so we can look at all this evidence.

Q241 Mark Garnier: Okay, that is fair enough. I will quickly rattle through some specific questions. How will the Government ensure that renewable technologies are rolled out and integrated into the grid without placing too high a burden on the public purse?



HOUSE OF COMMONS

Claire Coutinho: One of the key ways we can do that is through the work we are currently undertaking. We are looking at, for example, the geospatial plan and how we can update planning policy so that connections to the grid do not come with as many constraint costs, thereby reducing the cost of the overall connection.

The other thing we have done in growing our renewable base is to have a market solution through the contract for difference, which Jonathan played a huge part in creating. It has driven down the cost of renewables extensively in this country and is one of the reasons why we have the five largest operational wind farms anywhere in the world. That, alongside our natural geographical advantages, has meant we have successfully driven down the costs.

Q242 **Mark Garnier:** That is very helpful, thank you. Is the UK missing the opportunity to reduce costs through economies of scale by not following the French example of an even greater role for nuclear power?

Claire Coutinho: We have incredibly extensive and ambitious plans for nuclear power. I met with industry leaders recently and we talked about how we will get to 24 GW by 2050. In the last year alone, not only have we created Great British Nuclear, but we have also launched a capital raise for our second large-scale new gigawatt project. We are hoping to get one final investment decision in this Parliament and two in the next. We have created a competition for a small modular reactor, and we are looking at technology that isn't small modular reactors—advanced modular reactors—to see how we can support people in that section of the industry as well.

There is a massive nuclear revival going on in this country. I have been working very closely with our international partners in France to see how we can share skills and expertise.

Q243 **Mark Garnier:** Very quickly on that nuclear theme, was Nick Clegg, when he was Deputy Prime Minister back in 2010, foolish to say that we shouldn't be investing into nuclear because we wouldn't get any more nuclear power stations coming through until 2022-23?

Claire Coutinho: You could point to many people, and Nick Clegg would be one; my right hon. counterpart, Ed, would be another. There have been people who have made that mistake, but we are trying to correct that now.

Mark Garnier: We are cracking on, ok.

Barry Gardiner: Who was Prime Minister when Nick Clegg was—

Mark Garnier: Minority Government, supply and confidence—you know how it works Barry. You may well find out, actually.

Chair: That is a major concession.

Q244 **Mark Garnier:** Moving swiftly back to hydrogen storage, what signal does the Government's backing for CCUS send to potential investors in



HOUSE OF COMMONS

renewable technologies that can offer greater base load and flexibility, as well as decarbonised transport and industry?

Claire Coutinho: Even the independent Climate Change Committee has acknowledged that carbon capture is going to be a necessary part of a net zero future. The really important thing is that we don't think in silos across all the different energy sectors. We should be thinking in the round and about how they can all work together.

Taking nuclear for example, we talked about how our target should be about 25% of the mix; looking at oil and gas, we know we will need that, and carbon capture in the industry can play a role in that; and there are the renewables, which we are growing at pace. We should look at it all in the round. When I talk to investors and people in the industry overall, our ambitions are so great and so stretching that everyone is working at pace to ensure we realise them.

Q245 **Chair:** It seems, given you are blaming people in the past, that you will have very stern words about George Osborne ending carbon capture a few years ago and losing the UK's pace on that. You were stern about Ed Davey and Nick Clegg, so I mean surely—

Mark Garnier: Ed Miliband, I think.

Chair: Ed Miliband, was it? Yes, Ed Miliband. But you were certainly stern about Nick Clegg. Is George Osborne in the same crosshairs?

Claire Coutinho: I haven't looked at that, but what I can tell you is that we are now spending £20 billion on carbon capture and storage. From speaking to people in the industry, I know we have a natural advantage that we are trying to make the most of.

If I could just add something, I think that previously I said that the cold weather payment was per qualifying day; it is per qualifying week. I just want to add that to my comments.

Q246 **Mark Garnier:** Last question: we talked a little bit about energy supplies coming from overseas, but if you look on the grid, we have about 5% or 10% on any given day, if not more, that is coming from interconnectors. We are importing a lot of gas; we use a lot of oil. Ultimately, where do you see us getting to? Do you think we will be entirely self-reliant on our own energy supply, hopefully with renewables, or do you think we will always have to be at the mercy of other suppliers in terms of getting hold of energy?

Claire Coutinho: The thing that we are focused on is making sure that we can maximise what we can grow here. You will have seen that from oil and gas, what we are doing on nuclear, what we are doing on renewables and what we can do through hydrogen, for example, as well. However, we do work very closely with our allies to make sure that where we do need energy supplies from other people, or component parts for some of these other technologies that I have spoken about, we are doing as much as possible with our close allies and partners.



HOUSE OF COMMONS

Just in the time that I have been in role, which I think is about eight weeks at this point, I have already spoken to counterparts and signed agreements with Germany, with Ireland and with Japan. That is in eight weeks, so you can tell the pace of change that we are working at, partly because we want to respond to the geopolitical risks that are around us. Everybody is thinking about energy security in a different way—

Chair: It's good to work internationally.

Q247 **Mark Garnier:** And you will always be open-minded and optimistic about emerging technologies and emerging science?

Claire Coutinho: I think that's one of the things that the UK does the best.

Chair: Barry Gardiner briefly and then we will come to an end.

Q248 **Barry Gardiner:** You say you have been in the post for eight weeks; you've certainly mastered your brief in that time, so it's been a good session, Secretary of State.

At the moment, because of the windfall tax—that tax take that we levy on oil and gas producers—is at 75%, which is just below the international average, which is 76%, I think. When the windfall tax ceases to operate next year, we will fall back down to 30% tax take, which is the lowest in the entire world. Do you think that people who are struggling to pay their electricity and gas bills this winter will understand why it is that we are not anywhere near other countries in terms of the revenue that we take into the public purse in this country from the oil and gas producers, but that we are subsidising new production in the North sea basin by 92 pence in the pound? Will they not consider that this is a really extraordinary state of affairs?

I appreciate that you are not the Chancellor, although some say you may well be by that stage—

Chair: Top tip from Barry Gardiner. *[Laughter.]*

Barry Gardiner: I just think that people who are really struggling do not understand why we don't take more in tax from those producers.

Claire Coutinho: You are quite right that tax is a matter for the Chancellor. It would not be right of me to comment on it, but I think people will look at the policies that we have put in place to date and how much we supported people through last winter, with the £40 billion of support and the tax take from that sector, which I think was £29 billion over the same period.

Q249 **Barry Gardiner:** But the subsidy is coming out of their pockets—the 92 pence in the pound for development of those new oil and gas fields in the North sea is actually coming out of their pockets.

Chair: I think what Barry's saying is that Norway is getting a better return for its taxpayer and its citizens from its assets than the UK is.



HOUSE OF COMMONS

Barry Gardiner: I'm not worried about Norway.

Claire Coutinho: Overall, we generate a huge amount of net tax from that sector. The amount that we're expecting to get over the next five years is £50 billion. As I said, last year the contribution that we could make to help people who were really struggling was in part due to the tax revenues that we raised, which was a net tax revenue.

Barry Gardiner: Because of the windfall tax.

Q250 **Chair:** Secretary of State, there is just one thing to clarify. You mentioned five large windfarms that are blowing, or being blown. Are they all operating under CfDs?

Claire Coutinho: The five windfarms, as far as I am aware, although Jonathan may correct me.

Q251 **Chair:** When it comes to constraint payments, are CfDs operating on them as well, or, if they are constrained, where do the constraint payments go?

Claire Coutinho: We were talking about constraint payments when we were discussing connections to the grid and I believe Mark was asking me about that.

Q252 **Chair:** Just the five big windfarms. If they are getting constraint payments, does that operate under the contracts for difference as well?

Jonathan Mills: On the constraint payments, in terms of your first question, all those windfarms are operating under contracts for difference. Just looking at the list, certainly some of them are; I think the majority are.

Q253 **Chair:** Can you write to us about that?

Claire Coutinho: Yes, we might have to write to you on that.

Chair: That will be fine. We are coming to the end—

Jonathan Mills: Constraint payments are separate arrangements operated by National Grid.

Vicky Ford: Are we going to talk about skills at all?

Chair: Even within the CfD fund, the constraint payments are—I am very sorry. Time is—

Vicky Ford: Chair, we have two minutes on skills.

Chair: Secretary of State, we have two minutes on skills.

Q254 **Vicky Ford:** We hear it time and again, with EngineeringUK recently saying that contractors do not believe they have the skills to install heat pumps and so on. How are you going to rapidly upgrade the skills to deliver?



HOUSE OF COMMONS

Claire Coutinho: Industry is doing some of this itself, as demand increases. I have spoken to a couple of industry people who are doing that. We also have a £5 million programme that we have put in place, and I have spoken to industry about how that is working. More broadly, we have, as you all know, plans across apprenticeships, skills bootcamps and higher technical qualifications, and part of the work we are doing at the moment is working with a group called the Green Jobs Delivery Group, which will report next year.

Q255 **Vicky Ford:** I guess that if you are doing any skills bootcamps on how to install a heat pump or things like that, the Committee might love to go along and see it working.

Claire Coutinho: I would be delighted if the Committee joined me on a visit.

Chair: Thank you, Secretary of State. We know we haven't touched on a lot of things, such as the risk of interconnectors and a vast number of other aspects of the welcome international interconnection in energy. I am sure we will see you again, probably in the spring. Given that until now we have not seen a Secretary of State, it will be nice to see you perhaps in April or maybe March. We will look forward to seeing you again, perhaps for 90 minutes next time so we are not feeling as harassed after an hour as we are today and we can relax for 90 minutes. I am sure the Committee will welcome that. Thank you, Secretary of State and staff.