

Business, Energy and Industrial Strategy Committee

Oral evidence: The work of the Department and Government response to coronavirus, HC 301

Tuesday 13 April 2021

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Members present: Darren Jones (Chair); Alan Brown; Judith Cummins; Richard Fuller; Ms Nusrat Ghani; Paul Howell; Charlotte Nichols; Sarah Owen; Mark Pawsey.

Questions 123 - 197

Witnesses

I: Rt Hon Kwasi Kwarteng MP, Secretary of State, Department for Business, Energy and Industrial Strategy; Sarah Munby, Permanent Secretary, Department for Business, Energy and Industrial Strategy.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]



Examination of witnesses

Witnesses: Kwasi Kwarteng and Sarah Munby.

Q123 **Chair:** We are now moving on to the second part of our session. Good morning, Secretary of State and Permanent Secretary. We are delighted to have you in the room in a very old-fashioned way. You will see that we have colleagues on the screen, eager to ask you questions this morning. To start off, the Treasury this morning has issued a statement to say that the ultimate responsibility for the management of coronavirus business loans is in the BEIS Department, not the Treasury, hence why your colleague in the ministerial team is answering the Urgent Question on the Floor of the House today. Is that right?

Kwasi Kwarteng: Technically it is right. The British Business Bank is an ALB, an arm's-length body, for which BEIS is responsible. They were the ones who essentially accredited banks in the case of the coronavirus BILs, the various loans that were offered. That is absolutely right.

Q124 **Chair:** The only reason I ask that is that we have had a number of pieces of correspondence, ministerial directions and press notices as a Committee, and I will just refer to some of them. The original letter from your predecessor, Mr Sharma, said that the Chancellor had announced his intentions to bring forward this scheme, that the Chancellor had given the then Business Secretary approval and that your Department was prepared to provide the support. In the press notice, it said that Rishi Sunak, as Chancellor, had announced this scheme and the expansion of it. Indeed, in a ministerial direction, it referred to the Chancellor. In true fashion, he tweeted a lot about the scheme, but this morning he seems to be saying, "Not my problem, guv".

Kwasi Kwarteng: I am not sure he is saying that. As a point of technical fact, the loans, the CLBILs and CBILs, were given through lenders and those lenders received accreditation from the British Business Bank. As I said earlier, the British Business Bank is a BEIS ALB, so technically that is absolutely right.

Q125 **Chair:** That is understood. The only reason I ask these questions is that, of course, there has been a lot of reporting about former Prime Minister David Cameron's lobbying of Government on behalf of Greensill in relation to access to Government-backed finance. The text messages have shown that the Chancellor took some actions to get officials in the Treasury to respond to Mr Cameron's requests. I kind of get the impression this morning that you and the BEIS Department are being maybe pushed under the bus by the Chancellor here.

Kwasi Kwarteng: I do not think that is the case at all. As a matter of fact, the British Business Bank is one of the 40-odd ALBs that I am responsible for, as Secretary of State.

Q126 **Chair:** Presumably Mr Cameron did not lobby you, Ministers or officials in the Department on behalf of Greensill.



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Kwasi Kwarteng: I have never received a single phone call or WhatsApp from Mr Cameron.

Q127 **Chair:** Other messaging platforms are available. Is it the same for your Ministers and officials as well?

Kwasi Kwarteng: As far as I understand, they have not, but of course we have an inquiry, as you know. I am sure the inquiry will get to the bottom of exactly what messages David Cameron sent or which ones he received. I am sure we will get to the bottom of that through the inquiry.

Chair: We are going to go on now to some questions on Liberty Steel.

Q128 **Mark Pawsey:** Secretary of State, I wonder if I could ask you a broader question about the steel industry first. How important is it for the UK to have a resilient, stable, sustainable supply of steel from domestic sources?

Kwasi Kwarteng: That is a great question. I have not been shy about saying that I think it is absolutely necessary to have steel here in the UK. It has a future. It has to be a decarbonised future in the long run, but I have always been very public in my support for the industry here in the UK.

Q129 **Mark Pawsey:** One of the characteristics of the UK steel market has been a high level of imports. One of the reasons for that is that UK steel makers pay significantly more for energy than international competitors. In February, the Prime Minister said "We must indeed address the discriminatory costs of energy". Can you tell us what we are doing on that? Is there any contradiction there with what you have just said about our ambitions for net zero and a decarbonised industry?

Kwasi Kwarteng: No, I do not think there is a contradiction. All through the last few years anyway, since I have been involved in BEIS, as Energy Minister and now as Secretary of State, this issue of electricity costs for the steel sector, for industry generally, has always arisen. To be frank, in the UK we have relatively high costs of electricity for industrial users and actually quite low costs for domestic users.

I was very privileged to be part of the Steel Council as the Energy Minister. The Steel Council did not meet for a whole year and one of the first things I did as Secretary of State was to reconvene it, to say, "We need to have an intelligent debate. We need to have the Steel Council brought back". I am very pleased to say that we had a very constructive meeting at the Steel Council just a month ago. I think it was 5 March. Precisely these issues were the ones that came up. At the Steel Council, for the benefit of the Committee, we had union members, union representation, employers, officials and Ministers. We have been discussing this issue and I hope that we can make some progress on it.

Q130 **Mark Pawsey:** We have been talking about this issue of energy costs for many years. Given that we are now no longer bound by EU state aid



rules, can we do something to assist our high-energy, energy-intensive industries to be more competitive?

Kwasi Kwarteng: There are things we can do. You are quite right when you say that we have been talking about this for a number of years. That is one of the reasons why, as Energy Minister, I commissioned the industrial decarbonisation strategy, which I was very pleased to see published, as Secretary of State. I am also very keen that the clean steel fund, which we have announced money for—£250 million—is used.

We have to decide, and I have decided in my own mind that we need a steel industry. Once you have made that call, you have to work out what the characteristics of it might be. One of them is decarbonised production, electric arc furnace being a classic example of that. The clue is in the name: electric arc furnace. A big cost of that is the cost of electricity. We need to think of ways we can reduce those costs.

Q131 **Mark Pawsey:** Turning to Liberty Steel, this is the UK's third-largest manufacturer, with 12 plants, supporting 5,000 jobs. You have already told us that it is very important to have a domestic industry. Given that, why have you chosen to reject its request for £170 million in financial support?

Kwasi Kwarteng: This is a technical question of corporate governance. Liberty Steel sits under a company that is called GFG. To spell out what GFG is, that is the Gupta Family Group. It was the Gupta Family Group that asked for the money. If you look into the Gupta Family Group, it is not the most transparent organisation. It also has assets all over the world and employs something like 35,000 people all over the world.

If the Gupta Family Group asks the British Government to give £170 million of taxpayers' money, it is incumbent on Ministers and officials to be sure, have some degree of surety, that that money will stay in the UK and will not simply be disbursed across the Gupta Family Group's other steel manufacturing assets across the world. As far as I could understand, we did not have those guarantees. It was a very opaque structure and there was reluctance to give the group the money.

Let me put the boot on the other foot. If we had given the money, you would be asking, and it would be legitimate and right to ask, "Why did officials and Government Ministers sign off £170 million to the Gupta Family Group, most of whose assets are outside the UK?"

Q132 **Mark Pawsey:** You are saying that the wrong entity asked the question. If Liberty Steel, as a business, was to have asked the question, it might have got a different answer from the Gupta Family Group.

Kwasi Kwarteng: I am not saying that they would or would not. I am saying that we were presented with a situation in which a very complicated company, with assets all over the world, made a specific request for £170 million from the British Government. As officials and Ministers, we have a responsibility to taxpayers not to simply sign off



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£170 million without any knowledge of where that money might eventually go. As I understand it, there are creditors already trying to get some sort of recourse from the Gupta Family Group. We had no idea where this money would end up and I think we came to the right decision in that particular instance.

Q133 Mark Pawsey: If we look at the state of Liberty Steel right now, Mr Gupta, who is the owner and man in charge, says that his business is many billions in debt and has been starved of cashflow since Greensill Capital's collapse. We are interested in the survival of this business. How can it possibly operate effectively in these circumstances?

Kwasi Kwarteng: I speak to the local management quite regularly. Jon Ferriman and his team are doing a very good job in keeping the business as an operating concern. Of course, as I have described, it is part of a much wider group, which has financial problems that we have not really got to the bottom of. The creditors of Greensill are the ones that are now trying to get recourse from the Gupta Family Group for credit. As Mr Gupta says, they are billions of pounds in debt. That does not affect, or has not so far, the very fine job that the workers and the management at Liberty Steel are doing, in trying to keep the operations going.

Q134 Mark Pawsey: Is there not a danger that we might lose one of these plants or some of these jobs if we are not able to take effective action quickly?

Kwasi Kwarteng: There is always that danger. It is something that I speak to Government officials about. I have even spoken to the Prime Minister about it. I am very keen to see that these assets, which are good assets, and the company continue to operate. In this instance now, we cannot strip Liberty Steel from the wider group under which it sits. As Mr Gupta says, they are billions and billions of pounds in debt. This group is completely opaque as far as its financial position is concerned. We do not know the full extent of its liabilities. The idea that the British Government or any British Minister would sign a cheque to this group for £170 million is very irresponsible. If I had done it, you would rightly be grilling me about this now.

Q135 Mark Pawsey: What do you think the impact might be on the UK manufacturing industry if it is not able to get a consistent and regular supply of steel from these plants that are operating in an uncertain manner right now?

Kwasi Kwarteng: I agree with you. This is an important part of the supply chain. When we look at our infrastructure needs going forward, things like HS2 but also defence needs, it is very important that we have a domestic supply. I agree with that. We cannot simply give taxpayers' money to companies that are very opaque, with assets all over the world and liabilities that nobody seems to have got to the bottom of. That would be very irresponsible.

Q136 Richard Fuller: Secretary of State, for the record, did your Department



issue any instruction or recommendation to the British Business Bank that they should approve Greensill Capital for the CBILS programme?

Kwasi Kwarteng: As you will appreciate, the British Business Bank is an arm's-length body. BEIS is responsible for it, but operationally it is independent and it has its own criteria for giving accreditation to lending to banks, through which the CLBILs and the CBILs were distributed. It was not a case of Ministers or officials instructing the British Business Bank to do one thing or the other. I am very happy to ask our Permanent Secretary to come in on this. She is responsible for our officials.

Sarah Munby: No, there was no interference by either Ministers or BEIS officials in the British Business Bank's standard processes. There would have been no ask for such intervention, because, unlike in the case of the CCFF scheme, which is the one that has been discussed around lobbying of the Treasury, in this case the CBILS scheme always had invoice financing as one of the four types of lending that it supported. Greensill met the published criteria. You can all look them up on the BBB website if you so wish. In our Department, it was a case of business as usual. There was a clear set of criteria and the application was assessed against them.

It is worth saying, perhaps, that Greensill applied for two particular products to get Government support. One of those products was supported because it fell under the definition of invoice financing, as defined under the scheme terms. The other one was not supported, because it did not fall under those terms. Those decisions were entirely a matter for the BBB investment committee and made, if I may say so, in a technocratic manner.

Q137 **Richard Fuller:** Permanent Secretary and Secretary of State, thank you very much for that answer. It is very clear. Secretary of State, is your Department currently in conversation with Mr Sanjeev Gupta, regarding his ability or his group's ability to fund the continuing operations of his UK steel businesses?

Kwasi Kwarteng: The people I have been very engaged with and speaking to a lot are the unions, which represent excellent workers and brilliant people in the plant, and local management. I have spoken to Jon Ferriman a number of times. I have not had any conversations with Sanjeev Gupta.

Q138 **Richard Fuller:** Newspapers report that—I will list a number of them—Citibank is seeking to wind up OneSteel in Australia. As you know, that is a Gupta Family Group company. Grant Thornton in the United Kingdom has advised Liberty Steel customers to pay it directly. Creditors are seeking to wind up Liberty Commodities. These are all very serious actions that are taking place. What are the Government's contingency plans for Liberty Steel?

Kwasi Kwarteng: You will know in other instances we have managed to keep companies going. We have to work through Mr Gupta's plans. He keeps reassuring his workforce that he has refinancing plans in place. The



local management also have their own plans. Ahead of any Government intervention or otherwise, I am very keen that the plans of local management and, indeed, Mr Gupta are worked through. Let us see if he can refinance his businesses in the way that he said he would.

Q139 Richard Fuller: The *Financial Times* reported that loans were made to Liberty Commodities trading group, another part of the Gupta Family Group of companies, that were based, to quote the *Financial Times*, on “suspect invoices”. They quoted one of the chief executive officers of one of those invoices, a company called KME Germany, where the CEO said, “We did not trade with them in the past, we are not trading with them now, and we will not trade with them”. I asked you in the Chamber a week or so again whether there was the basis for a formal investigation by the Serious Fraud Office. You gave me an answer then. Have you had any further consideration?

Kwasi Kwarteng: These are very serious allegations. They are essentially allegations of criminal behaviour. It is not the place of a Government Minister, Secretary of State or official in the first instance to investigate what may well be a criminal issue. As far as I understand—you put it very well—there are a whole range of creditors who are seeking recourse, to fill big holes in their or their clients’ balance sheets. They, in the first instance, are the people who are going to get to the bottom of this. These are very serious allegations. If there is criminal activity, that would be a matter in the first instance for them and law enforcement. I do not think it is the place of a Secretary of State or an official to comment or pursue what effectively might be a criminal investigation.

Q140 Richard Fuller: Finally, if I may ask more broadly about the way in which supply chain finance is handled in accounts and more generally, it has been seen as part of the Carillion and NMC Health corporate failures. What are your thoughts about whether there is a need to look at how this is handled in accounting and financial reporting?

Kwasi Kwarteng: I have been in post three months. One of the first things I did was to make sure we got the audit reform consultation out and pursued that. That is exactly why I did this. In the last few years, we have had corporate scandals, not necessarily all to do with invoice financing or factoring, but to do with audit and the conflict of interest that auditors had with their corporate finance teams. We have had three reviews. We had the Brydon review, the CMA review and the Kingman review, all looking at the UK audit space. We have this White Paper. One of the first things I did was to make sure that the White Paper was published and that we had a consultation. That consultation is happening as we speak. I am looking forward to the results of it. We will take appropriate action in terms of legislation, in the customary way. Would you like to say anything about the audit reform?

Sarah Munby: I do not think there is anything to add to what you have said.



Q141 **Chair:** I have two supplementaries on this one. You have recognised the important work that steel managers and plant managers have been doing over the last few years since the steel crisis a number of years ago. My understanding is that, in part of the Liberty Steel business, pipe mill production, for example, they have doubled production, increased steel workers and are working really hard to try to make these businesses a success. Ultimately, if the whole business collapses because the Gupta Family Group has not run its business in the right way, the Government are going to stand behind these workers and these plants. Is that correct?

Kwasi Kwarteng: I cannot give any guarantees. As you say—this is my own view—these are good assets. There are good, competent people managing them. There is an incredibly talented, focused and passionate workforce that can make it work. It can work. I will not rush into giving any guarantees in this Committee, or in any other forum. It is a patient game, unfortunately perhaps, but it needs to be worked out. The local management's plan needs to be worked through. Mr Gupta's assurances that he can refinance his businesses need to be examined as well. He should be allowed time to find the actual refinancing in order to keep his businesses afloat.

Q142 **Chair:** Maybe this is a question for the British Business Bank. In granting the finance to these businesses, through the BBB, was there not any check around corporate governance of the applicants, or concerns around the complexity of businesses that have led to some of the problems we have now faced?

Kwasi Kwarteng: The way the process worked was that there was a list of accredited lenders, which the BBB essentially is responsible for. In the first instance, they would be supplying capital to the lenders. They are not going to know the ultimate recipients necessarily. They will not know. They are not equipped. They do not have the credit analysing capacity to look at the corporate governance and the credit of the entities that are being lent money by the accredited lenders.

Q143 **Chair:** It is a question for the lenders.

Kwasi Kwarteng: It is a question for the lenders as well.

Chair: Maybe we will take that one forward with them. We are going to move on now to a couple of questions about the Covid pandemic.

Q144 **Judith Cummins:** Good morning, Secretary of State. What assessment have you made of the level of Covid loans that are likely to never be repaid?

Kwasi Kwarteng: We assess all of this all the time. The credit risk can be significant in these cases. You will appreciate that the money was disbursed very quickly. It was an unprecedented emergency, so the key driver at the beginning was to try to get the money out to businesses. My understanding is that, in terms of the bad debt provision, it is slightly



better than we anticipated. In any fast-moving credit situation, where you are disbursing large amounts of money, there is a risk of default, ultimately, but there is a risk of default in any form of lending.

Sarah Munby: The latest figures that we have published were in our annual reports and accounts last year. We will update those when we put our next annual reports and accounts through. As the Secretary of State says, it is an ever-moving target. The biggest uncertainty of course is the credit-loss component, and that is ultimately driven by the performance of the economy, which will drive the performance of those companies that have borrowed money. It is very difficult to close the range at this stage. It is of course something that we are working very hard on. As I say, the next official estimates will come out as part of our annual report and accounts.

Q145 **Judith Cummins:** Do you have any targets in terms of that recovery?

Kwasi Kwarteng: It is not a question of targets. For CLBILs, I think the losses a few months ago were estimated to be in the range of 5% to 20%. All the information we have seen suggests that it will be at the lower end of that range, but it is not a target. It does not make sense to have a target for us, because a lot of that will be dependent on how well the economy bounces back. If there is a strong recovery, the proportion of bad loans will be much lower than if the opposite is the case.

Q146 **Judith Cummins:** I will now move on to support available for businesses. What long-term support are you going to offer to businesses now facing large debts and commercial rent arrears due to Covid-19? I am thinking here in particular about the hospitality industry, where UKHospitality has estimated that the rent debt for its sector alone will reach an estimated £3 billion now that the moratorium has ended. Businesses are now faced with paying up to a year's worth of rent arrears. What help will be available for businesses in these circumstances?

Kwasi Kwarteng: In the first instance, we have suspended the rent obligation until the end of June. I am speaking to my colleague, the Secretary of State for Housing, Communities and Local Government, at MHCLG. We want to see a world where landlords and tenants can come to an agreement. Clearly, it has been an exceptional time. There are exceptional pressures and we want to be able to get a world where people can come to a mutual agreement. Rent is just a factor of the cost. In terms of business support, there has been a huge range of measures in the Budget over the last year. There have been VAT holidays. We have had a business rates holiday. We have extended the furlough scheme, as well as suspending duty to pay rent. All these things have given considerable support to business.

Having said all that, I recognise that some sectors, particularly the hospitality sector, and one could talk about the aviation sector as well, have gone through an extremely stressful and difficult time. My officials,



Ministers and I are engaged with these sectors all the time to try to see what we can do to help them.

Q147 Judith Cummins: Another sector that has gone through a very difficult time is the beauty and wellbeing industry. Data from the National Hair and Beauty Federation estimates that more than 10% of these businesses have closed their doors for the last time since the pandemic. These businesses were closed for over 250 days in the past year. Some of those hardest hit, in the north, were barely able to open their doors all year. While the criteria for eligibility for much of the funding has been allocated to councils and the list is not exhaustive, the funding available to councils is. In many areas, there is a significant shortfall in this funding. Secretary of State, how can you make sure that local authorities are allocating this funding to businesses that need it the most, within the limitations of funding from Government? Importantly, what are you also doing to support the 60% of the beauty and wellbeing sector who are self-employed to get back on their feet, such as mobile practitioners and those who rent chairs in either salons or barbers?

Kwasi Kwarteng: There are a number of things in that question. There is the quantum of the amount that the Government give to local authorities, which you have mentioned. Also, it is the local authorities themselves disbursing the money. All the evidence we have seen shows that local authorities have been quite varied in how quickly they get the relevant funds out. In the first instance, Minister Paul Scully and I have tried to identify local authorities that are not, for whatever reasons, distributing the money that they are given that efficiently. Would you like to come in on that, Permanent Secretary, on the specifics about the ARG?

Sarah Munby: The thing I was going to add, exactly as you say, Secretary of State, is that £143 million, in addition to the grants that are specific to individual business types and have set sizes, has been given out by local authorities on a discretionary basis. That is exactly to address where there are gaps, so if there are specific types of business in the locality. At one point, for example, there was a question about businesses that took place in container parks, just to give you an idea of the sort of thing we are talking about. That additional money is exactly designed to fill those gaps. It is important to say that, in the case of personal care specifically, personal care businesses are eligible for restart grants. That is for up to £18,000 per business. We hope that that is an important part of giving those businesses the leg-up they need to perform.

Q148 Judith Cummins: What about in terms of the self-employed?

Kwasi Kwarteng: If they are businesses, they will have a huge range of support in the way that I have described. The problem that a lot of them face is to do with the rental situation, which is, as you have said, particularly difficult. I want to get to a point where people who are self-employed or operating very small businesses can actually reach a deal with their landlords. That is what we are working on at the moment.



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Q149 **Chair:** I have a follow-up on Covid-19 payment. This Committee has previously called for data to be published about which companies have received what money. We were just about subject to some EU reporting laws before the end of the transition period, which obliged us in that circumstance to publish some of the information. My understanding is that we have now passed the date at which we were supposed to publish data under those EU rules. Will the Department be publishing this information so that Committees such as mine have the opportunity to scrutinise it?

Kwasi Kwarteng: I would love to get back to you on this. I am surprised if we have exceeded the dates or times that we should have done. I am all in favour of transparency and openness in publications.

Sarah Munby: Perhaps I could add that we will be required to publish all the names, under the rules as you describe, for CLBILs and CBILs, the larger loans. We are working through the implications for BBLs, the smaller loans, at the moment, to work out exactly what needs to be published. You can expect publication very soon, imminently indeed.

Kwasi Kwarteng: We shall get back to you on that.

Q150 **Chair:** I have one extension to that. My understanding is that the future fund, because it was lending in partnership on commercial terms with the private finance, was not subject to the EU regulations. Of course, there is a lot of interest in the performance of public money in the future fund. Will you be publishing data for that alongside CBILs?

Kwasi Kwarteng: The future fund is a slightly different type of commercial instrument. As far as I understand it, there is a debt to equity conversion component to it, so it is slightly different. It operates under slightly different rules. I would be very interested to hear from and engage with you in terms of transparency on that. I suspect it is also a Treasury issue. We are talking about the different responsibilities, but I suspect that is something that the Treasury would have a particular direct interest in. Is that correct?

Sarah Munby: I think that is right. We should come back to that in due course. I am happy to provide some more details.

Q151 **Chair:** No problem, we will pick that up in correspondence afterwards. I have a quick question on OneWeb, the satellite company. We are doing some further work on this later on in the diary. Part of the reason for buying OneWeb was to support British manufacturing, but our understanding is that the satellites are still produced in the United States. They are being launched from Russia, in partnership with a French company. When is OneWeb going to be repatriated, so that it is British manufacturing?

Kwasi Kwarteng: You are getting slightly ahead of yourself, because we are in the middle of an equity raising. We are very confident that we will be able to raise enough interest and equity investment. Ahead of actually



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doing that, I cannot give you a timeline as to when the business will be operating within the UK. I think it will do.

More widely—this is one of the first things I did, again—we have taken ownership of the space strategy in BEIS. We are coming out with the space strategy in the next two or three months. I hope I will be able to come and present it to you or answer questions on it from you. That is a really important thing, that we are committed to space. Our investment in OneWeb is a very palpable demonstration of that.

Q152 Chair: We were looking through the departmental estimates around the initial funding to buy OneWeb, which was £400 million. Most of it came from BEIS but there is a missing £81 million. Do you know where that money came from?

Kwasi Kwarteng: You are right. The total amount was \$500 million, whatever the exchange rate was at the time. I am not sure where the £81 million came from, but it is, again, something that I would like to look at.

Q153 Chair: We will come back to you on that. Moving on now to industrial strategy, I do not want to pre-empt our own inquiry on this, because we are going to be concluding on that soon. One of the reflections of the previous industrial strategy was that it was spread a bit too thinly in order to perform well. There were 142 different policies for you to implement and for us to consider. We understand that, under the new Build Back Better plan for growth, there are now 180 different policies, so it has gone up, not down. Do you have any concern about that?

Kwasi Kwarteng: I do, actually. We are not quite comparing like for like, because the industrial strategy was not necessarily a strategy for the whole economy. It was for different industries in it, but it had no real Treasury buy-in. The plan for growth is something we are working very strongly with the Treasury on. In the plan for growth, it is a much more macro view of how the economy is growing, whereas the industrial strategy, as you know, had a sector-by-sector approach. There are still some sector deals in the industrial strategy, which are still already in the pipeline.

Having said that, you are absolutely right. I was very struck to see that Greg Clark, one of my predecessors, made exactly that point, that it was spread a little too thinly. I wanted to concentrate that. On that, I think we have done that. If you look at what we have done in the last year, on net zero, which is a central plank of the Department, we have an energy White Paper that was well received generally. We also have the Prime Minister's 10-point plan for the green industrial revolution. Those are much more specific and granular. I have adopted that approach to what we are calling the innovation strategy, which will come out at the end of June. I want to think more strategically about our offer on enterprise. That is work we are doing.



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We are trying to break down the industrial strategy to make it a bit more focused and have a bit more direction. It was good for its time, but you will remember that it came out, I think, at the end of 2017 and a lot has happened since then.

Q154 **Chair:** One of the challenges the industrial strategy was trying to fix was trying to deal with structural economic problems over the long term. This constant changing slightly goes against the grain there. One question that has come to us is about the gap between the industrial strategy being archived—I think it is described on your website—and how these new policies come into force, for example the innovation strategy. You talked about some of the sector deals that still exist.

There are other issues. For example, I think it is the Faraday challenge fund trying to support businesses, innovators and researchers who have projects that can get going now and try to create jobs and capacity in the British economy. They do not know whether they are going to get funded. If they do not get decisions in time, they risk not being able to get off the ground. Can you give reassurances to those companies and organisations in the gap that they will continue to get industrial support?

Kwasi Kwarteng: I spoke to the head of the Faraday Institution just yesterday. There are always ongoing problems with funding, regardless of what you call the label. Whether it is an industrial strategy or a plan for growth, there is always going to be a question of funding. I fully appreciate where you are coming from, but I disagree with this idea that somehow we are ending the industrial strategy and then starting something else. A lot of the elements of the industrial strategy, the sector deals you have mentioned, some of the sector deals we are negotiating at the moment, are still in place. They are morphing into other things.

A classic example of this was the oil and gas sector deal, which was heralded in the industrial strategy. We landed that and it is a North Sea transition deal. The reason why I insisted on calling it a North Sea transition deal when I was Energy Minister was that it is about transition. It is about net zero. Net zero is one of the big facts that has changed since the industrial strategy was published. The industrial strategy does not refer to net zero once.

The world has moved on and I do not think it is fair to say we have somehow ended the industrial strategy and are now starting something else. A lot of the good elements of the industrial strategy are morphing into other strategies and are being branded differently, but a lot of the substance of what we are trying to do has stayed the same.

Q155 **Chair:** We have had some correspondence from organisations that, if they do not get decisions soon on funding they were expecting under the industrial strategy, will collapse. Maybe we will follow up on that in correspondence with you. The last question from me on this is about independent oversight of Government performance. In my view, one of the benefits of the industrial strategy was that you had the independent



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national Industrial Strategy Council, which was doing a great job in agreeing metrics and measuring them. That is helpful when we are trying to scrutinise performance. There is often a lack of data for us to scrutinise. Under the Build Back Better plan for growth, that independent oversight and monitoring has been taken away, and there has been some concern expressed about that. Why was that decision made?

Kwasi Kwarteng: You will know that you do not need an Industrial Strategy Council to have good governance. A lot of the plan for growth will be monitored and co-ordinated through mainstream, normal Government procedures. You have SROs. We have metrics in terms of outcome delivery plans. My predecessor hired an implementation senior director in the Department to look at delivery. It is not the case that, without the Industrial Strategy Council, there are no metrics and a kind of wild west of policy. I want this put on record: I think the Industrial Strategy Council did a really good job. There were many excellent people on it, but, as I say, we have morphed into something else, given that the world of 2017 no longer exists. We are in a totally different era.

Q156 **Chair:** Will you be publishing metrics that we can refer to, or will they be internal?

Kwasi Kwarteng: I am sure there will be some degree of transparency with regard to that.

Sarah Munby: We of course already have a substantial series of metrics published alongside our outcome delivery plan, as part of the public value framework. To give listeners an example, the percentage of firms that are innovation active is one of our departmental measures. We think that, under the plan for growth, because it encompasses clearly not the whole of the business of Government but a large fraction of it, the metrics for plan for growth are not special plan for growth metrics that sit on the side. They are actually the metrics that sit at the heart of the Department's delivery, such as emissions by sector, as another example of a departmental metric.

Q157 **Sarah Owen:** Secretary of State, the 2021 Industrial Strategy Council report stated that Government Departments have not worked effectively together to co-ordinate the industrial strategy. We have seen just how poorly Government Departments have worked together during the pandemic with, unfortunately, really devastating impacts on people's lives but also the economy. How will co-ordination of Government Departments be improved for the delivery of the plan for growth?

Kwasi Kwarteng: Obviously, there are bits of your question that I do not agree with. Government Departments have worked reasonably well. If we look at the vaccine rollout, that was a classic example of where BEIS, which was involved in the procurement and manufacturing, to a large extent, of the vaccine, and my colleagues in the Department of Health and Social Care worked extremely well to drive the vaccine rollout. We have had a large measure of success. If you compare the vaccine



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rollout internationally, it is either first or second in the world. I disagree with the fact that Government Departments have not worked well in the past, because they have and they have delivered, in some instances.

I totally agree that that could be better. That could be more effectively done. One of the ways we have tried to do this is particularly in the net zero space. As I pointed out, people talk about the industrial strategy, but it does not talk at all about net zero. Net zero is something that has happened since 2017, in terms of the legislation, strategies and the Prime Minister's 10-point plan. In the net zero world, we have managed to create a Cabinet sub-committee, which I am very pleased to sit on.

We are trying to do exactly as you describe. We are trying to bring Government Departments together to deliver on net zero commitments and our climate change commitments. That is a big part of what my Department does. Across other fields, we have these cross-Whitehall committees. The big example of this was in the whole Brexit preparation, where we had XO meetings, which I was attending almost on a daily basis, and XS. One thing this Government are successfully doing—and this has bedevilled British Governments for decades—is trying to bring Departments to work in a more collegiate, co-operative way.

Q158 Sarah Owen: That sounds like you think that Government Departments are working well together already and there is not going to be anything new coming in this delivery plan for growth. As much as the vaccine programme has been a success, we have seen absolute complete dog's dinners of co-ordination when it comes to hotel policies for quarantine, aviation and "eat out to help out". There are instances where it could be better and I want to know if there is going to be anything different.

Kwasi Kwarteng: You are right. I said two very simple things. The first thing I said was that Government Departments have worked well together in some instances, and I gave the example of the vaccine rollout, which you were good enough to endorse. The second thing I said is that we can do a lot better on this, absolutely. One thing I have been saying across the Government, for the last two years I have been a relatively senior Minister, is that we have tried to get structures in place to help Departments work together. We want to continue to do that.

Q159 Sarah Owen: There is not anything new for the plan for growth. It is just more of what you have done for the last two years.

Kwasi Kwarteng: No. As a classic example of this, when I was Energy Minister, I set up a green jobs taskforce with the Under-Secretary in education. That had not been set up before. No one told me to do it, but it just seemed to make sense, given the fact that we need green jobs and new skills. It made sense to work on a bilateral basis with the DfE. That has been working very well. I am very pleased to see my colleague, the Minister for Energy, take up that chairmanship. That is the sort of working that I want to foster.



Another example of this is the Jet Zero Council. That had had one meeting. That is looking at sustainable aviation fuel and it is a jointly chaired group between DfT and BEIS. One of the things we have done very recently is hire a CEO. The thing was there for eight months. We hired a CEO just a month ago. We are having more regular meetings and working together. A lot of the things that you want to see are happening. We could do more in that space, but it is wrong to say that we are not doing anything and are just simply going to continue doing what we have done before.

Q160 Sarah Owen: I want to come back to the question that the Chair raised just before he handed over. Can you confirm whether the Build Back Better Business Council will produce any public outputs, such as an annual report?

Kwasi Kwarteng: I am not exactly sure what it will do, in terms of output. I am sure that there will be transparent reports. If there is any money spent, that will be accounted for in the usual way. I am not sure whether it will have an annual report in the way that the ISC did.

Q161 Sarah Owen: Do you think it would be helpful for us to have an annual report from the Build Back Better Business Council—that is a mouthful—so that Parliament can scrutinise and the public can assess the progress of the plan for growth? It is important. You have said about transparency and accountability. It is really important that we can actually see and monitor the progress.

Kwasi Kwarteng: I will get back to you on that. I do not know what its reporting arrangements are at the moment, but it is certainly something I will get back to you on.

Q162 Alan Brown: I will change topics to the green homes grant. Can you explain why the green homes grant scheme failed?

Kwasi Kwarteng: Originally, it was a six-month programme. It was brought in for six months. We extended it, in terms of the green homes grant, and now the take-up has not been quick enough. I do not think the company that we partnered with has been processing the applications quickly enough and we have decided to close it. It was only ever going to last for six months in the first instance.

The green homes grant that you are referring to was part of a wider package. It was a £3 billion package, where £1 billion was committed to Salix, which is our public financing body that is lending to organisations to decarbonise public buildings. That has worked very well. Of the £2 billion of the scheme, £500 million was given to local authorities to disburse to low-income households. That has worked well. You are quite right that, for the £1.5 billion that was being given to owner occupiers and landlords, the vouchers have not been taken up and processed as quickly as we would like. I reviewed the situation. I was not happy with the outcomes and I thought the best thing, in conversation with my



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colleagues in the Treasury, was that we would try to shut the scheme and then come up with another plan.

Q163 **Alan Brown:** Whose fault was it that a six-month scheme was devised that was too unwieldy to work properly?

Kwasi Kwarteng: I do not think it was anyone's fault. There were a lot of elements in it. Again, we were acting at high speed. One of the big issues that made it more difficult was the fact that we went back into lockdown. When the scheme was announced, we were coming out of a lockdown. We thought the economy would reopen. Then of course, once we got back into lockdown, the appetite of people to have people coming into their house to do installations, upgrades and more energy efficiency measures completely collapsed. The demand went down. The way in which the applications were processed was not particularly effective. I reviewed the situation and decided that the best thing would be to shut it and morph into something else.

Q164 **Alan Brown:** What is happening with the money that was not spent?

Kwasi Kwarteng: I think £300 million extra has already been committed for next year. I am not sure you are a great student of the Conservative manifesto, but in the manifesto for 2019 it was very explicitly said that £9.2 billion would go into the decarbonisation. It was split something like £3.8 billion into social housing, £2.5 billion into the home upgrade grant and the rest would be public buildings. We still are committed to that. I hope that there will be a new scheme where we can rapidly advance decarbonisation of buildings, and homes in particular.

Q165 **Alan Brown:** When will that new scheme be announced? Will it be backed up with the rest of that, whatever, £7.5 billion or £8 billion of that manifesto commitment?

Kwasi Kwarteng: As I said, it was split. The bit of the scheme that worked very well was the public sector buildings decarbonisation piece. The money is administered through Salix, which is another arm's-length body whose job it is to provide loan finance to public authorities to try to decarbonise their buildings. That has worked quite well.

You will be very conscious that people have been trying to encourage householders to decarbonise their houses for a very long time. It is a tricky thing to do, because you have to incentivise people to do the right thing. I am very pleased that I commissioned a heat and buildings strategy, which will come out, I hope, in the next few weeks. In there will be a number of policies, which will drive this agenda. I think that, in the end, we will get there.

Q166 **Alan Brown:** Will these policies be backed up by the money you referred to, the £9.2 billion commitment in the Conservative manifesto?



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Kwasi Kwarteng: There is a £9.2 billion commitment in the manifesto. I am very hopeful and this is a conversation I have regularly with other colleagues.

Q167 **Alan Brown:** Is that not one of the issues? The green homes grant was announced as a standalone policy. There was not much time to roll it out. As you said, it was originally meant to last six months. Does industry not need long-term, year-on-year funding that gives a look ahead, allowing skills training and investment to align with the Government policies?

Kwasi Kwarteng: You make a fair point. In terms of the long-term strategy, I would simply point you to the Prime Minister's 10-point plan and the energy White Paper. The strategy and policy is there, in some instances, in terms of the direction. We want to get more specific, as I say, in the heat and buildings strategy. That will give a lot of comfort to industry practitioners and people in the supply chain, but you are right. I think it will. As Energy Minister, I spoke to something like 100 people in a week on the energy White Paper and they were broadly very happy about the direction that it gave.

Q168 **Alan Brown:** You referred to the 10-point plan, which has a target of 600,000 heat pump installations looking ahead. At the moment, there are only something like 20,000 a year. Will these strategies give a pathway to get to that sort of rollout and install?

Kwasi Kwarteng: They give a pathway. They give an objective. You are quite right that we need to do more work to try to incentivise people to make that transition.

Q169 **Alan Brown:** I have referred to this before, but there is still a hangover from the previous green deal in terms of mis-selling by the company HELMS. Your Department is still sitting on a lot of appeals from people who believe they were mis-sold and are due some compensation or reduced loans. What is the Department doing to get through this backlog?

Kwasi Kwarteng: We are working through the backlog on a case-by-case basis. It has taken a very long time, as you will appreciate, but we are kind of getting to the end of that process. We were due to go through each of these cases, as I remember, by April last year. April last year was almost exactly the moment that Covid hit us. The economy was essentially frozen through the lockdown and we have not gone through the individual cases as quickly as we would have liked. Do you want to give an update on that?

Sarah Munby: I am happy to provide a more detailed update in writing, but we are certainly on it.

Q170 **Alan Brown:** That would be very useful. I have one final point about the green homes grant scheme. The Institute for Government claimed that the failure of the scheme was partly due to Government Departments failing to work together effectively. Can you say what urgent steps have



been taken to ensure that all Whitehall departments are aligned with the net zero target?

Kwasi Kwarteng: I mentioned this in answer to Ms Owen's question. I was appointed Energy Minister in July 2019. At that point, we did not even have a Cabinet sub-committee on net zero. One of the recommendations of the CCC report then was that we should have a Cabinet sub-committee. That was something I pushed as Energy Minister. I am very pleased that we have it now. That is one of the forums where we are trying to get greater co-ordination. You are right: this is an issue that British Governments over many decades have had, in terms of how to co-ordinate different Departments. We are doing that better than a lot of our predecessors, but clearly with net zero we have to work even more collaboratively and effectively.

People will review the green homes grant. I think there was a degree of co-ordination. There was a lot of conversation. There were a lot of conversations between the Treasury, BEIS and even MHCLG. We worked well. There were issues in terms of the short-term nature of the scheme. We can have discussions about that. It was a very ambitious scheme. It was quite time-limited. As you say, one of the things the industry wants to see is a longer-term, more strategic approach.

Q171 **Alan Brown:** Will forthcoming policies, say the heat and buildings strategy, show how that will be able to be developed across different Government Departments? I am assuming the Ministry of Housing, Communities and Local Government will be integral to that.

Kwasi Kwarteng: Yes, there will be a bit of that. The big deal as it were, the big thing to wait for, is the net zero strategy. The net zero strategy, which BEIS is at the centre of, will come out in September this year, two months ahead of COP. That will have a very clear set of guidelines and policies that we hope and expect will be adopted across the Government. I am talking to counterparts in pretty much every Government Department about how we can work together to deliver net zero.

Q172 **Alan Brown:** Will that show BEIS taking a lead role in implementation of the net zero strategy, and how you lead and work with other Government Departments?

Kwasi Kwarteng: From a policy point of view, BEIS is a leader, or probably the leader, in this. In terms of implementation, that is why we have the Cabinet sub-committees I have referred to. They are, in essence, the enforcer across Government of net zero policy.

Q173 **Chair:** You said the net zero strategy is coming out in September. Will the net zero spending review from the Treasury be coming out at the same time?

Kwasi Kwarteng: I do not know. I suspect it will be coming at a similar time. BEIS is very active in this space. There are lots of different strategies and lots of policy. Obviously, that leads to legislation and then



implementation. I am very keen that we get into that rhythm. For the net zero strategy, we had to do this before COP. It has to be out before COP, which starts on 1 November, so that gives us a very clear structure. Other strategies or spending reviews are not as time critical in that way.

Q174 **Chair:** The reason I ask is that, while a lot of the announcements and strategies have been welcomed, there is a concern that there is a gap between announcing the final destination and how we actually deliver it.

Kwasi Kwarteng: I agree.

Chair: A lot of that comes down to the Treasury playing ball, right?

Kwasi Kwarteng: It comes down to a lot of things, but you are quite right. In the way I see Government, you have policy, then legislation and then delivery and implementation. On the implementation piece, you need a degree of financial firepower to be able to implement a lot of these policies. BEIS has been very effective at coming up with different policies. I have been very privileged to be part of that as Energy Minister. In terms of the implementation, there is a wider conversation to be had, particularly with Treasury, No. 10 and other parts of the Government.

Q175 **Chair:** You mentioned the heat and buildings strategy, which is probably a bit delayed.

Kwasi Kwarteng: Initially, we wanted the heat and buildings strategy to come out at the end of the first quarter and then the industrial decarbonisation strategy to come out in the second quarter. We have flipped them round. The industrial decarbonisation strategy came out in the first quarter, I think two weeks ago. We are hoping that the heat and buildings strategy will come out at the end of the second quarter.

Q176 **Ms Ghani:** Good morning, Secretary of State. I am going to ask you a few questions about net zero. Before I get there, I wanted to ask whether you had time to read our most recent report on supply chains to Xinjiang. As you know, it has caused a bit of an international stir. I wondered what consideration you are giving to British businesses that are doing the right thing by international and national law on modern slavery, including on transparency in supply chains in the UK, and which decided not to be in Xinjiang, because they cannot do the minimum checks on slavery, and are therefore being penalised by the Chinese Communist Party.

Kwasi Kwarteng: I am delighted that you have asked this question. It is really important. There are a whole range of other Government agencies and entities that have equities in this thing. There is the Foreign Office that is really pushing the Chinese Government very hard on particular treatment. There is the Department for International Trade as well, which has very strong views against what is happening in China, as do we.

Your question would probably be better directed to colleagues in the Department for International Trade, because they are dealing with the exports and that side of things. Within the UK, in many ways I think that



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we should be looking at tightening modern slavery legislation. The existing legislation clearly has not eliminated that, even within the UK.

Q177 **Ms Ghani:** If I may press you, a number of European countries have businesses that are fundamentally their national businesses, for example H&M. Those Governments are considering providing some sort of support, because H&M did the right thing by saying, "Unless we can do minimum standards, we will not be able to function in Xinjiang" and the Chinese Communist Party has therefore removed it from China. I am asking if you would you consider putting support in place for businesses that are removed from China when they decide not to work in Xinjiang.

Kwasi Kwarteng: I would need to know the specifics of that. When you say "European countries", I am very surprised, because you will know that the EU has very strong state aid rules. It seems odd to me that individual countries in the EU will be providing support to companies exposed in the way you have suggested. I need to find out more about that, because I would be very surprised if it is the case that German, French and Swedish, perhaps, companies can act unilaterally in that case. I would be very surprised to learn that, but I need to find out more.

Q178 **Ms Ghani:** Hopefully I can spend some time with you.

Kwasi Kwarteng: I would be very happy to talk to you about that.

Q179 **Ms Ghani:** Perfect, thank you. I am going to move on to net zero. The Government has a really ambitious net zero targets programme in place, yet there has been some criticism that there were very few concrete measures in the 2021 budget on climate and energy. Are the policies and the funding announced adequate to meet the Government's targets?

Kwasi Kwarteng: We can always say that we should provide more money. This is a very difficult challenge. Clearly, the Chancellor and the country are operating in unprecedented economic times. There is a huge pressure on the budget. Even in this difficult time, there was a great deal in the Budget that was strongly supportive of the net zero agenda. There was £27 million on the energy transition zone in Aberdeen. That is serious money for a locality with a specific, very focused ask, which is to help the transition. That was at the same time as, not part of, the North Sea transition deal.

I was very keen that the North Sea transition deal stood on its own. It did not have to have any fiscal measures. This is an example of BEIS and the Treasury working together. As a partner of the North Sea transition deal, we managed to fund the Aberdeen energy transition zone. There has been a huge amount, in terms of the Chancellor's support. He talked last year in the Budget about a green gas levy, which was the first of its kind. In the Prime Minister's 10-point plan, there were fiscal commitments. The green homes grant that we have talked about was part of that. There were fiscal commitments to decarbonisation. One bit of it did not work as effectively as we would have liked. As I have stressed, half the amount of money has been disbursed very effectively.



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There are lots of measures in the Budget and in the pre-Budget phase that are driving the net zero agenda. It is quite right that the Committee scrutinises this. I was very lucky to meet John Kerry—well, I have met him before, but I saw him three weeks ago. Publicly, he was good enough to say that the UK is a leader in decarbonisation. It is a fact that we have reduced our emissions by 44% since 1990 and we have grown the economy by nearly 80%. There are very few countries in the world, certainly of our size, that have this record in decarbonisation.

Q180 Ms Ghani: There is no denying that we are absolute leaders in the field. You said half of the Budget was well spent. Are you worried about how the other half is going to be spent?

Kwasi Kwarteng: I cannot remember what my phrase was, but I think it was all well spent. I do not know what exactly I said. I was trying to address the fact that, even under difficult circumstances, even when we were facing unprecedented spending and large deficits, we managed to put the net zero agenda at the heart of the Budget.

Q181 Ms Ghani: I know you have been in post for a few months but I am going to try to take you back to 2017. It was claimed at the time that it was in the public interest to sell-off the Green Investment Bank. Since then, we have established the UK Infrastructure Bank. Do you think that was a recognition that the 2017 sell-off was a mistake?

Kwasi Kwarteng: I am not trying to relive and relitigate what went on in 2017 or in the past. Three things have happened since 2017 that have completely changed the economic and, indeed, the political landscape. You were in Parliament, as I remember, in 2017, and it is a very different world. One of these three things is the Brexit deal. In 2017, we did not even know we would get Brexit. People were talking about no deal. They were talking about the second referendum. It was a very uncertain time, as you remember, and we did not have a majority. We had parties coming and going. It was a very different time. Brexit was still extremely uncertain at that time. The Brexit deal is done.

The second big factor was the net zero. In 2017, we were still operating under the 2008 Climate Change Act, which was saying that we needed to reduce emissions by 80%. The net zero Act in 2019, which you and I voted for, set a net zero target by 2050, which completely changed the game in terms of decarbonisation and the policies that we needed to drive. Net zero was the second big factor.

The third big factor, which is probably bigger than either of the first two, was the coronavirus itself, the lockdowns we have had, the unprecedented support and the fact that huge parts of our economy were effectively shut down. These three things have meant that, whatever happened, whatever we said in 2017 really had to have a massive refresh. We need to look at these problems of our economy and society, and politics even, in a completely different way.



Q182 **Ms Ghani:** You spoke about the impact on the economy of unforeseen events such as Covid. There are concerns about the level of investment in reaching net zero. The European Investment Bank previously lent an average of £5 billion a year to projects in the UK. The new UK Infrastructure Bank is expected to have access to just £1.5 billion a year. What impact might this reduced funding have on the delivery of infrastructure? To follow on, do you think the Government have to compensate, and should there be a plan to compensate, for the difference, or not?

Kwasi Kwarteng: I do not know where you have got the figures from. In terms of the national infrastructure bank, we talked about BEIS's arm's-length bodies. This sits squarely within the Treasury. From the conversations I have had, I think the capitalisation will be something like £12 billion, but that is not set in stone. I do not know how big, on an annual basis, their loan-making capacity will be. These two facts, that we left the EIB and that we want to have investment in net zero, mean that there is a real role for the national infrastructure bank. How much is it going to lend on an annual basis? Your guess is as good as mine at the moment. These things are still being worked out.

Q183 **Ms Ghani:** Are you happy with the £1.5 billion? You dispute the £1.5 billion.

Kwasi Kwarteng: I do not know where you have got the numbers from. I am not saying they are wrong, but I need to see myself what the numbers are. I find it odd that the EIB would be lending £5 billion and the national infrastructure bank £1.5 billion, but I need to look at those figures. In many ways, the EIB, which we were big contributors to, had a European focus. There is no reason why our national infrastructure bank could not replicate what the EIB was doing in the UK on its own.

Q184 **Paul Howell:** Thank you, Secretary of State. I want to move on to a couple of more specific areas in terms of achieving net zero. These are areas where it is not just the micro of the decision. It is also to do with the message it sends. The first thing I would like to talk about is the west Cumbrian coal mine. You yourself said that there were very compelling reasons not to open a new coal mine in Cumbria. We all know that any discussion about fossil fuels, et cetera, can get very emotive very quickly, with some people thinking that all coal is bad, regardless of what it is used for or where it is at. I think we also agree that it is not acceptable to achieve our goals by exporting our carbon problems.

Can I ask you to talk a bit about what you think are the key criteria against which the decision on the Cumbrian coal mine should be made? Are they just national things or is there a more global context to bring into that?

Kwasi Kwarteng: You will appreciate that, whatever my views on this issue, I have to say very clearly and unequivocally that this is an independent planning issue. It does not matter what I think, as Secretary of State, in one way or the other. This has been called in. There will be an



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independent process and they will look at the planning application independently, so it does not matter what I think.

Broadly, I think you are right. These are difficult issues. On the one hand, coal is carbon emitting when you burn it, mine it or use it as a fuel. On the other hand, we have a steel industry, which, in some instances, relies on coking coal. As you say, the difference between coking coal and thermal coal, a difference that people often forget or elide, is really important.

In terms of thermal coal, we have managed, essentially, to take it off the electricity generation system. When I was elected in 2010, something like 40%--even in those days, not that long ago--of our electricity came from coal. Today it is 2%, so we are phasing that out. There is an issue in terms of coking coal and what our approach is to it. As you say, if we do not mine it here, we may well have to import it from overseas. The actual specific issue of the west Cumbrian mine is independent and one for the planning authority.

Q185 Paul Howell: It appears that you endorse the fact that the consideration given in that space should be holistic.

Kwasi Kwarteng: Yes, absolutely. I have always said that. I have said a couple of things on this. I have always said that there is a distinction between thermal coal, which we used to use a lot in electricity generation, and coking coal, which is used particularly in the manufacturing of steel, but in some other industrial processes. We have to keep these two things quite distinct.

Q186 Paul Howell: To follow that, without pre-judging the decision, should it come to pass that the decision is not to proceed with the mine, would you envisage that there would be an appropriateness of any support for the area? That is anticipated to create 2,500 jobs.

Kwasi Kwarteng: I am not going to pre-judge. As you said in your own question, in your phrase, I am not going to pre-judge what the planning authority is going to say about this. You will know that levelling up, really expanding economic opportunities across the UK, regardless of where people are in the United Kingdom, is a top agenda of the Government. You will appreciate that we are very focused on delivering that.

Q187 Paul Howell: In a similar sort of context, if you like, I want to move on to talk about new licences for oil and gas. They have been described as being incompatible with net zero. Again, what criteria or checks do you think are appropriate in determining the integrity of any licences in the context of a net zero objective?

Kwasi Kwarteng: This is a great question. It feeds directly into my previous role as the Energy Minister. When I was Energy Minister, I essentially was responsible for trying to get the North Sea transition deal. You will remember there was a commitment in the Conservative



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manifesto to an oil and gas sector deal. I said, "Look, this is about transition", so we called it the North Sea transition deal. We landed that.

In the context of just having landed a North Sea transition deal literally a month ago, it does not make sense to essentially scrap all exploration and end the industry at the stroke of a pen. I was really reluctant to do that. I see the oil and gas sector transitioning to a net zero future and I am really believing in that. One of the things I am very proud of is the North Sea transition deal, because it is the first time that any Government in the G7 have done a deal with a sector that historically has been responsible for carbon emissions, to try to wean it off those carbon emissions and do the transition. I am very proud of that.

I do not see a world in which a British Government are essentially going to, by signing off legislation, put an abrupt end to what are really important jobs, very skilled people and a very large industry. I do not see that.

Q188 **Paul Howell:** I would endorse that. I am trying to get to what checks and balances you think should be part of that process, when we are potentially issuing new licences.

Kwasi Kwarteng: We had a licensing review that was started last year and has concluded. The whole point of that was to say that future licensing rounds will be determined or put in the context of decarbonisation. The decarbonisation of the sector, the electrification of platforms and the development of carbon capture are all part of the transition deal. As we have alluded to, they were part of the Budget. The £27 million the Chancellor committed to the Aberdeen energy transition zone is all about driving these carbon capture, carbon reducing technologies. It is all part of a package. We want to help and work with the industry. We do not want to shut it down.

Sarah Munby: You asked the question, "What are the critical factors?" You will know that, under all the Committee on Climate Change scenarios, oil and gas continues to play a role out to 2050, as we reach net zero. The critical question in some ways is about import versus domestic. The question of whether to license depends on, ultimately, demand in this country for oil and gas, and the extent to which that demand is filled by domestic production versus imported production.

Domestic production, as a general rule, is less carbon intensive than overseas production. Therefore, if we are continuing to use oil and gas at a particular phase in the progression, we would prefer to be making it here than somewhere else. It is that calculus that impacts whether, at any individual point, you want to issue further licences or not.

Kwasi Kwarteng: Interestingly enough, that is exactly the same argument that you would present, I am sure, about the west Cumbrian mine. That is exactly the point that the Permanent Secretary has made.



Paul Howell: I thank the Permanent Secretary for that addition. Yes, that was very helpful. Thank you.

Q189 **Chair:** There was a report; I think it was in *The Guardian* yesterday.

Kwasi Kwarteng: I do not read it every day.

Chair: It is a good read. They were characterising the British Government as dad dancing on net zero. We are trying to dance the dance on net zero, but we are not very co-ordinated. People around the world, especially in the context of COP, when they are looking at cuts to aid, the coal mine question and North Sea oil, are starting to raise concerns that were described as worrisome and a bit incoherent. I suppose the crux of the problem here is that we have this statutory target for net zero, which is an obligation on Government, and you and the Department are clearly committed to delivering that. Unless that hooks into every other part of the economy, so that everybody has that statutory obligation to play ball, we are going to keep having these problems, are we not?

Kwasi Kwarteng: It is a classic glass half empty/glass half full issue. On the one hand, you could say, "We need to spend more money. We need to be more co-ordinated. We need to do a whole host of other things", which I agree with. There are things we could improve, certainly, on this. On the other hand, I would say this, and I have said this in this Committee: we have done quite well. If you look at the decarbonisation of the power sector and the power grid, the fact that we have reduced emissions, as I said, by 44% since 1990, the fact that we have grown the economy during that time and the fact that not just John Kerry but people in the UN are pointing to Britain and saying, "Britain has done a good job in the decarbonisation agenda", that is the glass half full way of looking at things. I would suggest that the glass is half full, not half empty.

Chair: I am sure *The Guardian* editors are listening closely.

Kwasi Kwarteng: They will be, I am sure.

Q190 **Charlotte Nichols:** Secretary of State, given the recent Supreme Court judgment that Uber drivers are workers, rather than self-employed, do the Government have any plans to make it easier for claimants to establish their worker status and enforce their rights?

Kwasi Kwarteng: On that, very broadly, you will remember when I first came into this job there was a whole issue about workers' rights and the fact that the Department may or may not have had a review of workers' rights. I was absolutely 100% clear in the House and the media that we want to enhance workers' rights. We want to have a highly productive, high-wage economy. That was the broad position I had.

In the context of the court case, as you know, we are looking at having an employment Bill soon. We want to be able to enhance workers' rights.



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We will reflect the finding of the case, I am sure, in subsequent legislation. This is an important issue.

Q191 **Charlotte Nichols:** The Government are legally obliged to publish the director of labour market enforcement's annual strategies. The Government have not published the 2020-21 or 2021-22 strategies. Matthew Taylor told us that the 2021-22 strategy contained time-sensitive measures needed to respond to the pandemic. Are you concerned that, by not acting on the strategy quickly, you are missing opportunities to address time-sensitive labour market issues?

Kwasi Kwarteng: You are right. The strategies should be published. I am hoping that we can publish them fairly soon. You are right to say that there is an emergency with respect to our dealing with the economy. There are questions about potential unemployment, although I am much more optimistic than some of the other forecasts about how the economy is going to rebound. I accept the premise of your question.

Q192 **Chair:** What is holding it up?

Kwasi Kwarteng: That is a very good question.

Sarah Munby: It is departmental approvals.

Kwasi Kwarteng: Less flippantly, there are two issues. There is the write-round process, which you will be very aware of. There was the fact of the Covid issue as well, which has absorbed a huge amount of time. Ordinarily, I am sure this thing would have been published.

Q193 **Chair:** I have a few final questions while we have some time. There has been a recent report on *Newsnight* about Amazon workers, with the very large increase in demand for their services during the lockdown, having some pretty horrible working conditions. Are these types of examples going to be responded to in the employment rights Bill?

Kwasi Kwarteng: I did not see the programme, but what I want to do on employment rights is reset the relationship we have between workers in our new economy. The old model is no longer applicable. One of the things we are looking at is quadrupling maximum fines for employers who mistreat workers. That is something we need to look at. I have not seen the actual reports on *Newsnight*, but I would be very interested to learn more about it.

Q194 **Chair:** I have two more examples of things that have come up during the pandemic, which I would be keen to get your view on. The second is on fire and rehire. This Committee has done some work on that, in terms of the British Gas Centrica fire and rehire situation. The Transport Committee has looked at the British Airways situation. I understand other businesses are looking at it as well. You have said on the Floor of the House that issuing fire and rehire at the early stages of a negotiation is wrong. Do you anticipate reform of this legislation?



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Kwasi Kwarteng: We have a review, as you know, and we want to find out the actual details. There is lots of anecdotal evidence, but we are a bit thin on actual detail as to how this method is used, if it is. There are anecdotes that it is, but we do not know the full extent of it. We need to get to the bottom of that. I have consistently said that this is not a way in which businesses should act.

Sarah Munby: From a process point of view, Acas has carried out that review, which we have recently received in the Department and are currently scrutinising.

Kwasi Kwarteng: I am sure you will ask about the publication of that in due course.

Q195 **Chair:** Exactly, yes, because we will want to consider that as well in due course. In terms of hybrid working and online working, there have been some calls for a new right to disconnect. I have certainly been victim of this. When you are at home online, you tend to work longer. Do you support those types of initiatives for the new model of working we are seeing?

Kwasi Kwarteng: It is something that needs to be looked at. I do not have an advance view on it. A lot of it is to do with self-censorship as well. It is not simply a case of employers exploiting workers in that old-fashioned way of thinking. A lot of the time, people feel an obligation. It is also out of curiosity. They are always on their phones. I have done that myself, and then you end up replying to emails at ungodly hours and even WhatsApp messages now. It is quite a difficult line to draw, but it is definitely something that should be part of our wider consideration of the labour market.

Q196 **Chair:** Lastly, moving to the National Security and Investment Bill, which is currently in the Lords and will be coming back to us before prorogation, I have been sent a copy this morning of a letter from the Leader of the House to Julian Lewis, who chairs the Intelligence and Security Committee. As you know, just so that it is on the record, the Intelligence and Security Committee wanted its remit to be extended in the legislation so that it had access to the classified information that you, as Secretary of State, will be considering, alongside the economic analysis, as to whether to intervene in mergers and acquisitions or intellectual property purchases on national security grounds.

The Leader of the House has confirmed to Dr Lewis that the Government are not minded to support that. They see this Committee as being the main Committee that scrutinises the work of the BEIS Department, which of course I and this Committee support. Dr Lewis raises an important question. His committee has the ability and the power to demand access to the intelligence information. This Committee only has the power to ask for it and it is your discretion as to how you give that to us.

What reassurances can you give us, given that the Government's position is not to support the amendment to extend the rights of the intelligence



committee, that we will adequately be able to scrutinise the functioning of the investment security unit, if we do not have the power to demand access to classified information?

Kwasi Kwarteng: I am fully confident in your ability to scrutinise any Secretary of State for BEIS, whoever that might be, in respect of the NSI Bill. It is quite right to say that Julian Lewis's committee wanted to have that oversight. As a principle, given that the NSI Bill sits within BEIS and the powers described in the Bill are essentially Secretary of State for BEIS powers, it makes sense that the BEIS Committee should be the ultimate scrutiniser of those provisions. I or my successor would be asked to come to the Committee in this way. That makes sense to me, in terms of the governance of that particular issue.

Q197 **Chair:** Whether it is a memorandum of understanding with the Committee or some form of correspondence, do you think you will be able to clarify the access this Committee will have to the relevant information, even if it is on particular terms? The point that Dr Lewis is raising is that you, Secretary of State, could say to us that you are blocking an important merger and acquisition in the economy because of security concerns, but you cannot tell this Committee why. Then of course we cannot really hold you to account for what is quite a powerful new role for you, as Business Secretary.

Kwasi Kwarteng: We have enough recourse in terms of FOI and, as you say, the scrutiny of this Bill. I cannot imagine or envisage a world where I would say, "I am doing this, but I cannot tell you what the information is". Some of it might be sensitive. As well as the normal parliamentary scrutiny that your Committee has, there is the committee chaired by Greg Clark. It would have interest equities in that. That structure provides a lot of oversight in terms of how a Secretary of State would act in respect of the NSI Bill.

Chair: Thank you for that. Our questions have come to an end today, so thank you both for your time, Secretary of State, Permanent Secretary. Thank you to colleagues on the Committee.