Environmental Audit Committee

Oral evidence: A 2010–15 Progress Report, HC 885

Tuesday 10 February 2015

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Watch the meeting

Members present: Joan Walley (Chair), Peter Aldous, Neil Carmichael, Martin Caton, Zac Goldsmith, Mark Lazarowicz, Caroline Lucas, Mrs Caroline Spelman

Questions 1–84

Witnesses: **Rt Hon Matthew Hancock MP**, Minister of State for Business and Enterprise, and Minister of State for Energy, **John Fiennes**, Director, Energy Strategy, Networks and Markets, Department of Energy and Climate Change, **Niall Mackenzie**, Director Energy, Materials and Agri-Tech, Department for Business, Innovation and Skills, **Jerome Glass**, Deputy Director, Strategy, Department of Energy and Climate Change, and **Stephen Speed**, Director of Energy Development, DECC gave evidence.

Q1 Chair: Minister, thank you for coming along. I really appreciate you coming and bringing so many different officials with you. I think you are aware that with this report we are trying to wrap up certain reports, which we have done in the past, and look to the future to see what is still to be done or what is undone. I believe you have to leave at 6.15—is that right?—but your officials may carry on?

Matthew Hancock: 6 o'clock.

Chair: Right, okay. We will try to work to that timetable. It is also the case that our colleague, Zac Goldsmith has to leave early as well, so fine.

Matthew Hancock: Thank you.

Q2 Chair: On that basis, if I can start off by asking how seriously you think Government—whether it is DECC or BIS or whichever department—takes the whole issue of the green economy and whether or not you feel that, post the Rio+20 Summit in 2012, there has not been the emphasis on this whole issue as one might have expected?

Matthew Hancock: We take it incredibly seriously and—

Chair: Does that go for your officials as well?

Matthew Hancock: Yes, absolutely, and I think that that is demonstrated by the action that is being taken. I am often on the Floor of the House and other places quizzed—say, at DECC questions—about this being the greenest Government ever, and I think the single best proof point is that our electricity generation is now 15% renewables, up from 6.8%[1] in 2010, and the concept of making sure that we support tackling carbon emissions, and other greenhouse gas emissions, together with a strong and growing economy, covers the piece. It goes right across our industrial strategy and a whole range of our policies.

Q3 Chair: Has "Enabling the Transition to a Green Economy" been updated since it was published in 2011?

Matthew Hancock: The work of the Green Economy Council is ongoing. They have published a review of sustainability, for instance, across the industrial strategy and so that work is ongoing. What I would say is that it is better, from a Government point of view, for this to be embedded in each Department rather than as a separate strand. It is important to be held to account for what we are doing in this space but in the Departments that I serve, the consideration of long-term climate obligations is an important part of the work that we do.

Q4 Chair: Sure. But I think the concern we have is how DECC and BIS are married together—

Matthew Hancock: Well, through me in a sense.

Chair: —and how consistent they are. So, getting back to "Enabling the Transition to a Green Economy" document, what has happened to it since? Also, have there been any guarantees about the future of the Green Economy Council?

Matthew Hancock: All of the different councils, as part of the industrial strategy, are strongly supported. So industrial strategy is something that started as a number of separate, different councils—the automotive and the aero were the first two—there were 11 and now there is a whole broad range of partnerships as well. The Green Economy Council is part of that. It has cross-party support. It is supported by the Labour Party, the Liberals and the Conservatives.

Q5 Chair: When did it last meet?

Matthew Hancock: As I say, it is published the review of sustainability pretty recently but it met last year.

Chair: The Green Economy Council met last week?

Matthew Hancock: Last year, I am not sure, and it hasn't met in 2015 yet.

Q6 Chair: No. The only reason I ask is just to see its progress since January 2013 and whether or not there were meetings that were cancelled subsequent to that and, if so, what bearing that has on the Government's commitment to it.

Matthew Hancock: Well, I do not think—

[1] Correction by witness: Figure should be 7.4%.

Chair: I think, Mr Mackenzie, do you want to—

Matthew Hancock: I have been a Minister since July, but the best way to describe its work is that it is mainstreamed across all the different industrial strategies. If you have something as a council set separate, and not driven through the work of all the others, then it is far better if it is mainstreamed as part of the work of all the other councils.

Chair: It would be helpful to know when it last met. Perhaps you could let us have that.

Matthew Hancock: Okay.

Q7 Chair: Just pursuing that, I think one of the things that were of concern was the fact that some of the actions were voluntary rather than any way prescribed actions. I wonder how you think things can be followed up if it is down to a voluntary nature of actions to be followed up.

Matthew Hancock: Industrial strategy by its nature is a partnership. It is not about directing UK plc. It is about working in partnership to achieve agreed goals. One of the things that UK corporates I think have increasingly understood—and as BIS Minister over the last two and a half years I have noticed an increasing degree of understanding of the need to tackle this agenda—is it has to be done in a cost effective way that does not damage the wider economy. If you do it in a way that is overly prescriptive then, first, you can get unintended consequences that lead to less effective action, but secondly you can end up damaging the wider economy, which means that you cannot afford to take some of the actions that you want to.

There are areas where we are very prescriptive. Let me give you one example: automobiles—cars. There have been a long-term set of international objectives on carbon emissions reduction from cars. I think it has been a great success. It was set out a long way in advance and there are still goals that are going to come in in the future. It is best done internationally. It is best done over the long-term rather than immediate, to give the designers and the manufacturers the time to work out how they best develop cars of the future. I think it is exciting and we are seeing some new developments in ultra-low emission vehicles as well, which will help tackle that big piece of carbon emissions coming from that area. I give that as one example where there is something pretty prescriptive, but there are other areas where we do not want to be too prescriptive.

Q8 Chair: I suppose I was just wondering how the Government audits the progress that is being made. If everything is of a voluntary nature, I wonder what the audit mechanism is for knowing what progress is being made and whether or not targets could be met.

Matthew Hancock: I think my point is that it is inaccurate to say that everything is on a voluntary basis. That is just not the case. That is not how the system works. Of course there are some things that are done on a voluntary basis because, where it could be damaging to put in place a regulatory basis, you still sometimes want to provide leadership, so in some areas there are statutory rules, whether UK or European. In some areas there is a voluntary basis. But coming to the audit point, the outcome here—the goal that we are all seeking—is lower greenhouse gas emissions from the world, ultimately. Now that is our really big goal, and so that means that Paris later this year is very important and international agreements are important.

Then break that down to the UK where what is important is our greenhouse gas emissions. They continue to fall even as the economy has been expanding. I do not want to be overly prescriptive about where we get that fall because I strongly believe that the best way to tackle climate change—and the risks of a very significant damage from climate change—is in the most cost effective way, because that is the best way we can bring the public with us, so that is where I would not be overly prescriptive.

Q9 Chair: Just in terms of your comment there about bringing in the public with us, do you see any scope for civil society being involved in the Green Economy Council? I am still not clear what the status of the Green Economy Council is and whether or not it has had an opportunity to debate the outcome of the industrial strategies that have been drawn up.

Matthew Hancock: As I say, the Green Economy Council has just published a review into their sustainability. Sorry, it will be published. It has just circulated a review. It is going to be published in due course, so it is stimulating that discussion. But one council does not a carbon reduction plan make, so it is only part of our armoury that comes right across the piece.

Q10 Chair: What I am getting at is: to what extent have Ministers been involved with the Green Economy Council in debating and looking at the proposals that are coming forward and those that relate to the industrial strategies, which in previous reports we have looked at—it is really important that they are contributing to the whole sustainability development agenda?

Matthew Hancock: One of the things that this recent review has done is gone across the other areas of industrial strategy—

Chair: But have Ministers met and discussed it? Has the Green Economy Council met and discussed it?

Matthew Hancock: The Green Economy Council has not had a meeting to discuss this particular review.

Chair: Oh.

Matthew Hancock: But I am not ruling that out. I am not averse to that at all. But what it does do is we engage in making sure that long-term sustainability is part of other industrial strategies, where appropriate. The point of this is not to have a talking shop. The point of this is to make sure that our policies properly trade off the need to deal with our international climate change obligations at the lowest reasonable cost, consistent with security of supply. Everybody knows about that magic triumvirate.

Q11 Chair: But there has not actually been a meeting of the Green Economy Council with Ministers to discuss all of this, so do you think that might be a useful thing to organise?

Matthew Hancock: I will certainly happily look into it.

Chair: We would be very interested to see if that might be a possibility, and my colleague, Zac Goldsmith, has to leave early so I am going to go straight to him.

Q12 Zac Goldsmith: Thank you very much. Apologies that I have to leave early, probably shortly after this question. I am interested in looking at community energy, and I would like to know what you think has been the measurable impact of the Community Energy Strategy, just in terms of the data?

Matthew Hancock: There are a couple of funds that have been launched, which will help. The Rural Community Energy Fund launched in summer 2013 and the Urban Community Energy Fund was launched in 2014. In fact, I think it was on the same day I went and visited a community hydro plant, so the community energy is rolling out. I don't think that tackling our whole climate change obligations will entirely come through community energy schemes but I think they are an exciting part of the picture.

Q13 Zac Goldsmith: One of the issues that DECC has been flirting with for some time is this idea of licence lite, which is what the community energy providers have been asking for for a long time, which means that effectively they have a guaranteed right to access the electricity grid to sell directly to customers. They can sell at a lower cost than retail and they can get more than wholesale prices themselves, so everyone is happy, I suppose, except for the big utilities—the big six. That is something that has been policy, as I understand it, but it has not happened yet. I know that there are experiments in London and that the Mayor has tried to push for this. Can you talk both about licence lite and also about the broader principle of access to the grid?

Matthew Hancock: Yes. I think this is a very important long-term change, part of having a smarter grid and ultimately a smart grid, tied in right from smart meters in the home, so that people can be more engaged in their energy use and automatically energy use can be reduced through technology, all the way through to the fact we are going to have far more distributed supply of electricity in the future and the grid needs to respond to that.

The idea of allowing the grid to be essentially a utility provider of transmission and distribution between individuals, not just through the large power companies, is an interesting part of that proposal. John will know exactly where it is up to in terms of making progress on it.

John Fiennes: I am not sure I have very much to add to what the Minister said. Licence lite, along with white labels are other ways of getting new players into the market in a way that does not require them to understand and deal with the complexity of the licensing regime. It clearly has potential. There is an update on the Community Energy Strategy in preparation at the moment, and so I think we should wait and see what that says.

Zac Goldsmith: It will address that issue of licence lite?

Matthew Hancock: I will make sure that it does.

Q14 Zac Goldsmith: Thank you very much. Before I move on, just on the answer to the first question, how ambitious do you think we can be for community energy? How big a part of the solution do you think community energy can be, if all the policies and supports are in place?

Matthew Hancock: The true answer, ex-ante, is that we do not know. However, over the medium to long term, certainly over the next couple of decades, I think that there is a very exciting potential here, but I do not think it is going to solve our energy conundrum in the next few years. I think that community energy has an important part to play, but I think that one of the most important developments to tackle climate change, and to make sure that humanity can live on this earth for generations to come, will be through technological development. You can already see technological developments that can really help to tackle this problem in a cost-effective way and, therefore, that will become mass movements rather than subsidised.

As solar becomes cheaper, it is starting to become very competitive at the right financing cost in some particularly sunny countries, almost, and in the UK it may well be relatively soon. Some people say five years and some people say 10. The truth is it is unknowable. There is an exciting potential for us all to use far more renewable energy, for storage to be better—and we are putting more funding into research on storage and there is some exciting developments on storage—and then for especially transport but also home energy use to be more electricity based, and for both hydrogen and battery powered cars. So you can see a world in 20 years time where everybody has solar power on their roofs, their electric cars are plugged in overnight, the batteries or other storage technologies store the energy that is produced during the day and then put into the car overnight.

I think there is an exciting potential here, certainly within our lifetimes, but money spent on research to help get that at a global level is important. That is the optimistic scenario but I know it is rather distant.

Q15 Mrs Spelman: Just very quickly on that, the post review of the transfer to electric cars brought out the fact that the grid won't cope; the National Grid in this country would not cope with people coming back from work and plugging their cars in overnight. That is the point in time in which the grid is under most stress, when people come back from work to make their tea. So one of the fundamental constraints on electric car technology is the fact that the infrastructure is not there, and that hits at the very concept that the motorist attaches such importance to, which is being able to get in the car in the morning and go to work.

Matthew Hancock: Not so. That is absolutely challenged. If we were to immediately switch to electric cars in a large-scale without other changes, then yes, but there are other changes, some of them very significant, that will have to happen. One is about the grid being upgraded. But that is already happening in renewables because there are areas that are suddenly having renewables development, meaning power is generated in completely different areas to where it has been historically.

Another is about making sure that through smart meters and the use of technology we can have tariffs that incentivise people to use their electricity at more useful times on a systemic basis. So, what does that mean in English? You are charged less for your electricity overnight, so you might put your car on to charge and it only starts at 10.00 pm when most people are starting to turn their lights off.

If I had a time-sensitive electricity supply—which I admit I don't yet—and an electric car and a roof full of solar panels that were cost-effective, then I might well have my car charging up between 10.00 pm and 4.00 am and have it on a timer, and I might well pay less for my electricity during that time because the demand on the grid is lower. There is an enormous scale of work between now and that happening, but it is on the sorts of time scale that we need to hit the 2050 target.

Q16 Zac Goldsmith: Moving on to a slightly different issue—I think we are going to be talking about the Green Investment Bank later—when we last looked at the Green Investment

Bank it was actively looking for EU state aid approval to invest in community energy projects. It would be useful to know where things got with that, and I will come to the second question in a second. Can you give us an update on what resulted?

Matthew Hancock: It is investing in community energy.

Zac Goldsmith: So there are no issues there around state aid?

Matthew Hancock: I have been happily announcing them so—

Zac Goldsmith: You have not broken any rules then? Okay.

Chair: Hopefully not.

Q17 Zac Goldsmith: This is the last question on the Green Investment Bank. Do you anticipate the Green Investment Bank putting a bigger emphasis going forward on community energy than it does today? Actually, before I ask that, it would be useful to know what emphasis it currently puts on community energy—how much investment?

Matthew Hancock: A very good question. The Green Investment Bank was originally set up with the first goal—it has a broad goal—to ensure that there is decent finance for renewable energy in the UK. In the first instance it concentrated most of its resources on getting a secondary market especially for offshore wind developments, so that they could be financed more easily because investors were therefore to do the building and to manage the build cost that they could then refinance.

Chair: I think we are slightly confused because Zac was really just concentrating on the community energy scheme.

Matthew Hancock: Yes, I was going to come on to that.

Chair: Okay. Lovely. Thank you.

Matthew Hancock: So the vast majority of the Green Investment Bank's finance, at least initially, was on that and that has now been I would say successfully achieved. There is a strong secondary market for these big developments. That means that the Green Investment Bank has been able to turn its attention, both financial and management attention, to other things—for instance, to these community energy funds that are now going. It is also starting to move in the direction of a slightly different risk profile, and we are looking at how to ensure that it can support investments that are not just the very big, plain vanilla risks.

Q18 Zac Goldsmith: How much so far has been invested in community energy projects, roughly?

Matthew Hancock: If I do not have the figure here I will get it for you, but it is in the tens of millions.

Chair: If you could provide us with that it would be helpful, I think.

Matthew Hancock: Yes.

Q19 Peter Aldous: Madam Chair, in her introduction, talked about the review undertaken by the Green Economy Council, and if I could just come back to that?

Matthew Hancock: Yes.

Peter Aldous: We have just received a copy. It was dated December 2014, yet we have only just received a copy. Was there any reason for that delay for a couple of months before we got it?

Matthew Hancock: Not that I am aware of.

Q20 Peter Aldous: If you look at their review, it does appear to agree with our report, which was "Sustainability in BIS" published in 2013, where we criticised an inadequate consideration of sustainability in the industrial strategies. What they conclude in their review is: "This reinforces the EAC's observation that 'the environmental and social aspects of sustainability are not getting the same attention as economic factors'". Taking that into account, I wonder what lessons the Department is learning from their review.

Matthew Hancock: We are putting sustainability into industrial strategies across the board where it is appropriate. There are some industrial strategies where there is not a very strong inter-linkage, such as the international education strategy—one I was particularly close to getting going. Education is not a particularly big user of carbon as a sector and it is not a major part of that industry. There are others where it is absolutely critical. The auto industry industrial strategy includes the work that we are doing to become a world, hopefully, and certainly a European leader in ultra-low emission vehicles. We are putting in £0.5 billion over the next five years. These are serious amounts of commitment of taxpayers' money to tackle sustainability issues. So we put it in where appropriate.

Q21 Chair: You mentioned carbon but I think our definition of sustainability issues would be wider than just carbon.

Matthew Hancock: Absolutely, so the circular economy is an important part of sustainability as well and is taken into account.

Q22 Peter Aldous: As a result of their review, are you considering reviewing any of the industrial strategies, rewriting them to take into account any of their recommendations?

Matthew Hancock: We will consider their conclusions as we come to refresh each of the industrial strategies.

Q23 Peter Aldous: Would you agree that some of their findings, particularly with regard to resource resilience, the circular economy and building sustainable supply chains, are factors and considerations that you should be building into those industrial strategy?

Matthew Hancock: Yes.

Q24 Chair: Can I ask how that then sits alongside the LEPs?

Matthew Hancock: The interaction between the industrial strategy and the LEPs is that the industrial strategy is a sectoral based structure and the LEPs are obviously a geographic based structure, and in the growth deals, which are struck between central government and the LEPs, the interaction of these two—you could call one a horizontal and one a vertical distinction—is part of the negotiation, and so our industrial strategy considerations are brought to bear on the decisions on what to support in the growth deal.

Let me give you an example. The new Anglia LEP—one that Peter knows very well and so do I—is a very strong supporter of the offshore wind supply chain that is being built up around Lowestoft and Great Yarmouth. That is one classic example of an industrial strategy making its way into an LEP growth strategy.

Q25 Chair: I suppose it is how all this gets kept under review because obviously not every industry has its own strategy and the LEPs are changing, responding and adopting, so it is how you keep the vertical and the horizontal integrated.

Matthew Hancock: Yes, exactly. Where the rubber hits the road is in the growth deals that are negotiated. We have had two negotiated so far.

Q26 Caroline Lucas: I want to go to nuclear and ask you whether the Hinkley Point C deal is likely to be consulted on before the contract is all signed and sealed.

Matthew Hancock: It has been consulted on extensively.

Q27 Caroline Lucas: Not in terms of the final financial outcomes of it.

Matthew Hancock: We are very pleased with the financial outcomes because it means that, when you are tackling carbon emissions and you have a low-carbon source, it is at the cheaper end of low-carbon sources of electricity.

Q28 Caroline Lucas: That is a contentious statement that we have had lots of evidence from others to challenge, in terms of whether this deal is cost-effective, and one of the particular things we had was the National Audit Office explaining to us that they cannot scrutinise a deal until it is all finished. So there is a real kind of gap in terms of scrutiny when it comes to looking at the actual figures that are being signed up to in terms of whether or not this is delivering value for money.

Matthew Hancock: Absolutely, it is delivering value for money. Low-carbon electricity, for instance, is much cheaper than offshore wind. For the first time we have something that I think will become best practice around the world, in terms of money being set aside for decommissioning as well as part of the deal.

Caroline Lucas: But you know as well as I do—

Matthew Hancock: I think it is quite hard to be in favour of a low-carbon future and tackling greenhouse gas emissions and tackling the dangers and the risk of climate change without supporting nuclear as part of the solution.

Q29 Caroline Lucas: I think the vast majority of the green movement would differ with you completely on that, and I think we would also say that locking the UK into a contract, which means that we are basically paying double the price of wholesale electricity for the next 35 years, is not cost effective. What is happening with offshore wind, onshore wind and the other renewable energies is they are coming down in price; nuclear is going up in price. We also have the examples of France and Finland that do not give very much confidence in terms of nuclear projects coming in on time and on budget, since they are both extremely over time and over budget.

Matthew Hancock: Well—

Caroline Lucas: So I wonder if you could say something—

Chair: Hold on, let the Minister answer that.

Matthew Hancock: Yes. So, first, we have struck a deal to ensure that the build costs and the risks are managed by EDF so that takes care of that point, but also—

Caroline Lucas: But it doesn't.

Matthew Hancock: But hold on—

Caroline Lucas: It doesn't take care of it at all.

Matthew Hancock: Yes, it does because EDF have the risk of build costs overrunning, which was the concern that was raised. Secondly, comparing the price of nuclear to the marginal price of wholesale electricity, there is a gap there because nuclear is a low-carbon source of electricity. If you think it is an appropriate basis of the analysis to compare low-carbon electricity to, say, gas, and you think that is the best way to measure the cost of low-carbon electricity, offshore wind would be completely out of the picture.

Q30 Chair: Can I intervene, if I may, just on that point? Can I ask whether or not DECC has factored in the cost in respect of uranium mining of the carbon contribution? Is that factored into the equation?

Matthew Hancock: I will get back to you on the specific point. I always refer to nuclear as a low-carbon not a zero carbon, for precisely the reason that in fact all of these sources of electricity are low and in some cases very, very low.

Caroline Lucas: But would you acknowledge that it is controversial?

Matthew Hancock: Do you see what I mean? For instance with offshore wind, you would still need boats to be able to go from one offshore wind farm to another.

Q31 Caroline Lucas: But there is a lot of controversy out there, which I think the Chair was referring to. For example, the Professor Emeritus Keith Barnham has just done another review of the lifecycle carbon footprint of nuclear, and would say that it is not even low-carbon. It might be slightly lower than some but he has some scenarios out there that suggest that in some scenarios it could be more than gas.

But let's just park that a minute because I want to come back to the argument that, if we are looking at shifting to an economy and an energy system that is less dependent on fossil fuels, the question is whether or not we want to put our resources into nuclear or whether we want to be supporting more renewables. The fear is that by locking ourselves into this very long contract with nuclear, when nuclear prices are going up, that is going to be bad for the economy and indeed for energy supply when renewable costs are coming down. That is why there are many of us who would want to see some kind of greater scrutiny of the figures that you are talking about, and I wonder if you would just acknowledge the fact that if the NAO cannot look at it until it is signed, sealed and finished, then there is some kind of gap in terms of the ability to scrutinise those calculations?

Matthew Hancock: There are several things in there. The first is that the cost of nuclear is not going up. That is an incorrect assertion. The cost is set out in the CfD and, because of the scale of these projects, of course we have to give certainty over a long period of time and would I instead rather have renewables, well my answer is: we have both. You do not want to put all your eggs in one basket. We have to tackle carbon emissions using all of the technologies that are available to us, and nuclear absolutely is one of those. Tackling carbon emissions without using nuclear is like trying to solve a greater intergenerational problem with one hand tied behind your back, and I think that future generations would not forgive us.

Q32 Caroline Lucas: We will have to agree to differ but there are a huge number of people in the green movement who absolutely disagree with you—

Matthew Hancock: Yes, and there are huge numbers of people who absolutely agree with me, so there you go.

Caroline Lucas: No, but if you are going to make a green argument it would probably be more persuasive if more of the green movement supported what you are saying.

Chair: Caroline, before you move on from nuclear—

Caroline Lucas: I am not going to move on. I am going to talk about Austria and—

Q33 Chair: No. Is it the Government's intention to put the documents that the UK provided to the EC on the subsidies for Hinkley Point C in the public domain, in the interests of openness?

Matthew Hancock: There are no subsidies. There is exactly the same structure of support for nuclear as there is for other low-carbon sources of electricity.

Q34 Caroline Lucas: The evidence that we got from the representatives from the Vienna City Council and the Vienna Technical University was that obviously the 35-year guaranteed CfD are greater in terms of their length of guarantees than the renewables, so there is a difference there and that is one of the several reasons that obviously Austria is preparing to challenge the Commission state aid approval for Hinkley. But I wonder how much of a delay you expect as a result of that challenge at the European Commission.

Matthew Hancock: We do not expect a delay. We do not think that there is merit in the challenge. We think that all considerations were taken into account and we think that the European Commission made its decision on an entirely appropriate basis.

Q35 Caroline Lucas: Presumably, you are not ruling out the fact that this challenge could be successful; in which case presumably you are making some contingency thoughts about what would be the implications if it is upheld?

Matthew Hancock: The state aid case is legally robust and we are going to vigorously support it.

Q36 Caroline Lucas: You are not even going to contemplate what might happen if that is challenged successfully?

Matthew Hancock: That is because we think that the decision is legally robust and if you had the Commission here I would expect they would say the same thing.

Q37 Caroline Lucas: Presumably, the Austrian Government is receiving some information to the contrary that gives it the confidence to be challenging it?

Matthew Hancock: I cannot speak for the Austrian Government or Vienna City Council.

Q38 Caroline Lucas: When we looked at the UK Export Finance in 2013, we were disappointed that it did not seem to be able to be more selective in the export projects that it insures to be able to steer clear of fossil fuel projects. Do you think that a more vigorously low-carbon remit for UKEF would bolster the UK's credibility in international climate negotiations?

Matthew Hancock: Oh no, no, no, no. I think that the UK has enormous credibility in international climate considerations. Our team is absolutely first rate, and from the Prime Minister down, the international community can see not only that we lead the intellectual argument on how to deal with it but also practically and on the ground, because in Paris—

Caroline Lucas: Do you not think that possible for—

Matthew Hancock: No, let me explain why. In Paris, the way to get the world on side for an ambitious deal is to make sure that we do it in a way that cuts greenhouse gas emissions but also in a way that also cuts costs to consumers. This is eminently doable but it is only doable if we have a framework that allows us to use the very best technologies, not all of which have been invented yet, at the cheapest possible price.

Q39 Caroline Lucas: Why are we supporting fossil fuels? That is my question. Your digression is very interesting but the question is: why is the UK Export Finance supporting fossil fuel projects if what we are trying to do is to encourage all other countries as well as ourselves to move to non-fossil fuels?

Matthew Hancock: Because we are also global leaders in some fossil fuel technologies and we would not want to throw that away.

Q40 Caroline Lucas: What is that money going for in particular?

Matthew Hancock: I do not have the details to hand. UK Export Finance is engaged a whole series of deals.

Q41 Caroline Lucas: Why? This is picked on by so many analysts to say that there is an inconsistency in a country that is aspiring to be a climate leader at the same time, using that money to subsidise fossil fuel projects.

Matthew Hancock: Yes, but I am the Energy Minister not only for renewables and for nuclear but also for oil and gas, and we have a massive expertise in oil and gas. Oil and gas are going to be needed in the economy over the decades to come, even in a decreasing way.

Q42 Caroline Lucas: Why would we subsidise them? We know from all of the UN reports that we need to be shifting away from fossil fuels rapidly. Why would we want to put more money into them?

Matthew Hancock: The UKEF does not subsidise it, it generates a market. It allows finance to support exports. That is what it is there for, and some of our exports from the oil and gas industry in particular are incredibly valuable around the world. Aberdeen is a world centre for oil and gas—offshore oil and gas, in particular—and it is vital for the UK economy.

Q43 Caroline Lucas: Let me try coming from a different angle. You would have heard the head of the Bank of England talking about the risk associated with unburnable fossil fuel assets—the existence, in other words, of the carbon bubble. Have you had any discussions with Mark Carney about the carbon bubble?

Matthew Hancock: No.

Q44 Caroline Lucas: Do you plan to have any? Do you believe in the existence, and are you factoring in the existence, of a carbon bubble in terms of unburnable fossil fuel assets?

Matthew Hancock: Look, markets move up and down, as we have seen in the oil price in the last six months, and the regulatory restrictions for climate change mitigation purposes of some fossil fuels, which are having the most notable impact on coal in the short to medium term, of course will have an impact on world prices. That is both inevitable and entirely realistic. Where those prices will end up nobody knows. The one thing I do know is that when somebody tells me that a market price is either too high or too low and definitely going to move in one direction, I ask whether they have staked any of their own personal pension on it, because if they haven't then they do not know any better than the next person.

Q45 Caroline Lucas: I think at the heart of the carbon bubble discussion is a recognition that, if we are to stay below two degrees warming, we need to leave around two-thirds to 80% of known fossil fuel reserves in the ground. So it is not simply an economic question here, it is a question of whether or not if we are serious about staying below two degrees warming, it is possible to burn 80% more of these fossil fuel assets. So I think that is the question I am asking.

Matthew Hancock: It is. Look, first, I understand that the Governor reaffirmed that the FPC had not identified significant risk to financial stability from a carbon bubble, but the bank would monitor the issue through our regular gathering of information on financial stability risks.

Q46 Caroline Lucas: He specifically asked the FPC to do that. It was not somehow a way of downplaying the issue. Mark Carney was actually saying this is an important issue, and therefore asked the FPC to look at it.

Matthew Hancock: Right. But there is a wider point, rather than debating what Mark Carney did or did not say, which is: can we ensure that future generations can enjoy this earth while also burning in future some fossil fuels? The answer to that is, undoubtedly, yes. The question is a matter of degree, but for decades to come we are still going to be using certainly gas and oil and, as I say, coal in the UK is coming off the electricity generation but it is very hard to make steel without coal, and we are still going to use steel. So being able to find mitigation technologies that can tackle the carbon challenge is a long, long-term struggle that we will have to engage in. I think that there are significant risks posed by climate change that need to be taken very seriously indeed, but the best way to do this is to manage a path down to much lower carbon emissions. We are on that path but we cannot do that without bringing the British people with us, and that includes supporting some of the sources of prosperity that we have, which will be used around the world over the decades to come.

Chair: I know that Caroline Spelman wants to come in and the Minister has to leave in about one minute.

Q47 Mrs Spelman: Just very quickly, this time last year nobody predicted the collapse in oil prices. As a BIS Minister, I am sure you will be aware that the business community has urged the political community to stop and think very hard about the opportunity that the halving of oil prices creates, because it alters the economics of quite a lot of different sources of energy, and that is one of the things likely to pave the way towards an agreement in Paris. What is the view of the Minister towards their call for a level playing field with a carbon tax?

Matthew Hancock: Yes. I think that is a very good question. First, internationally, it does give me some optimism for Paris, not least because many countries that have subsidies on fossil fuels are saying that they want to use this moment to have the political space to reduce some of those subsidies so that prices continue to fall, but they can in some cases solve the fiscal challenge that this leads to by reducing their subsidies. I think that is terrific. I entirely understand the political difficulties of getting from A to B but the leadership of many countries have stated that they want to use this opportunity. Of course, in the UK falling energy bills is welcomed by many people.

It is a good job that we have falling energy bills rather than a fixed price but we probably should not get into that here. It also raises challenges. It raises challenges on the affordability compared to market prices of some renewables in the short term, but this is not a short-term but a long-term challenge. I think energy policy needs to look through short-term fluctuations in the price. We need to take the existing price and the futures curve as the most likely—at least short-term over the next few years—outcome for prices, because who knows any better?

Q48 Chair: Minister, the short-term challenge I have is to allow you to leave at 6 o'clock and you are already a minute over time, so I take it that your officials are content to stay on?

Matthew Hancock: Yes.

Chair: Yes, perfect. Okay. Thank you very much.

Matthew Hancock: Great stuff. I am sorry I have to go.

Chair: We do understand that you have another urgent commitment. Thank you very much for your attendance today.

Q49 Martin Caton: In 2011 the Government planned for a review of the 4th Carbon Budget in 2014. Although now done, it did cause real uncertainty during that three-year wait period. Hasn't that set an unfortunate precedent, with potential low-carbon investors now expecting Government not to readily follow the advice of the Committee on Climate Change in future?

Jerome Glass: The Government did follow the advice of the Committee on Climate Change in two particular recent examples. The first is that the committee recommended, at the end of 2013, in the 4th Carbon Budget, that the level should stay where it was. The Government conducted its review and accepted that advice. The second was that the Committee on Climate Change recommended that the Government should not carry over the over-performance on the 1st Carbon Budget, and the Government also accepted that advice. So, on the contrary, the Government has followed the advice of the Committee on Climate Change, as I say, in two critical decisions recently.

John Fiennes: Just to add to that the Department, and Ministers more generally, are very alive to the need for certainty for people involved in this industry, and that is part of the reason why you have the long-term envelope, the control framework and the structure of the Contract for Difference that have been put in place to provide that sort of stability, which we think minimises the cost of the low-carbon transition. So we are very aware of that and we have acted in response to those sorts of concerns.

Q50 Martin Caton: Can we be sure that when the next carbon budget is set in 2016 that the concerns that the Government had in 2011 about the EU ETS will no longer be a factor?

Jerome Glass: It is difficult to say. It is obviously a decision for the next Government. Clearly, one of the uncertainties in 2011 was around whether there was an EU 2030 agreement. There now is that agreement, so some of that uncertainty around the future EU emissions target has been reduced and, indeed, we now have greater certainty about some of the rules around the EU ETS. We expect in that respect that uncertainty has been reduced but, as I say, it is a decision for the next Government.

Q51 Martin Caton: The CCC's latest progress report reiterated that policy needs to be strengthened to get the UK on a trajectory to meet the future carbon budgets. In fact, the CCC says the same thing every year, doesn't it? Are we going to see new policies that can actually deliver carbon budgets?

Jerome Glass: Again, I would say that we have put in place quite a lot of policies already. We have met the 1st Carbon Budget. We are on track to hit the 2nd and 3rd Carbon Budgets according to latest projections that were published in September last year. There exists—and we have always recognised this—a gap around the 4th Carbon Budget, and again, not wanting to sound like a broken record, one of the first decisions for the next Government is putting in place the measures to address that gap. We have always known that and the decision at the time in 2011, when we set the budget and we published the Carbon Plan, was that we knew that we would have to come up with the policies.

John Fiennes: This is in a way an illustration of the power of the carbon budget system because we are now having a debate in this room about what happens quite a long way from now. That is what we need to be doing because these are long-term systems and they take time to deal with, but again I think it has pushed policymaking out further into the future and provided more certainty than we certainly had previously.

Q52 Martin Caton: Back in 2013 this Committee criticised the fact that the 'Carbon Plan' was what we called not of a living document and we called for annual updates. Has it been updated since then?

Jerome Glass: The Carbon Plan has not been updated since 2011. It will be updated in accordance with the Climate Change Act in 2016 after we have set the 5th Carbon Budget. What I would say, though, is that the infrastructure around carbon budgets, which is that the Committee on Climate Change produces annual progress reports and the Government responds to those reports; that process has continued all the way through so we do have an annual update of sorts. It is just not a full update of the Carbon Plan.

John Fiennes: We have the inventory statement that sets out all the activity that has gone on over the previous year. We have a security of supply report. We have that now combined with our prices and bills assessments and our Levy Control Framework reporting. So there is no shortage of reporting about activity that the department has undertaken and it is possible to read that back against what we said previously.

Q53 Martin Caton: Is the Government actively considering requiring local authorities to set emissions reduction targets?

Jerome Glass: At present that is not something that the Government is considering. As you know, we have I believe a memorandum of understanding with the Local Government Association and there are reporting considerations around that. I am afraid I am not exactly sure on the details of those but at the moment it is not something that we are actively considering.

Q54 Chair: But on the question of local authorities that is something that could take place, isn't it?

Jerome Glass: As I say, as far as I am aware, it is not something that we are actively considering mandating local authorities to do.

Martin Caton: The next Government—

Jerome Glass: That is the position as I understand it.

Q55 Martin Caton: Sorry, I thought you were going to bring your "next Government" argument in again.

Jerome Glass: You said it for me, I would say.

Q56 Martin Caton: The UK is one of those EU countries which resisted the call for a specific country level target for renewable energy. Why was that?

Jerome Glass: You are talking specifically about the 2030 EU agreement? Yes, so the UK is an advocate of the flexibility in terms of the technologies, and we just heard the Minister explain that we will need a mix of technologies and the 2030 agreement, which focuses on the binding part of it or the bit that is nationally binding, is about greenhouse gases, which is obviously what we are trying to tackle above all. Our expectation is that that will bring on a substantial amount of renewables in any case. Again, as the Minister explained, we are already reaching record levels of renewable electricity—renewable energy generally—deployment. So what we really wanted to focus it on was the greenhouse gas element and not be technology prescriptive about the way that we get there.

Q57 Chair: Following on, we have some factual questions about fracking, if that is possible, particularly in light of the Infrastructure Bill that was in the other place just yesterday. I will not ask you what your views are, as the Minister is not here, on our report on the possible impacts of fracking on carbon budgets, but I wonder if you could give us your sense of when fracking could be up and running at significant scale in the UK and what likely impact it will have on the carbon budgets available at the time.

Jerome Glass: If I may, may I ask a colleague who is an expert on fracking to come and give—

Chair: By all means. I would be delighted for you to join us, and it is Mister—

Stephen Speed: Stephen Speed. I am Director of Energy Development at DECC.

Chair: Thank you very much indeed. Thank you for your impromptu appearance. It is much appreciated.

Stephen Speed: You are very welcome. I am very glad to be able to help. I will leave the carbon budget question to Jerome, if I may. I think the answer to your question, in terms of time, is we are some way off a fully developed hydraulic fracturing industry in this country and what the Government is trying to do at the moment is to focus energy and attention on enabling people who wish to explore the rocks to do so. It will be a journey after we know whether those rocks are likely to be productive before we get into full-scale production.

Q58 Chair: Can I just tease out a little bit more the "some way off". Are we talking years?

Stephen Speed: It is hard to tell but we are talking years, yes.

Chair: I think the purpose behind our question is that I think—

Stephen Speed: There are a range of scenarios. Before we can answer the question properly we do need to know whether the geology is going to deliver the gas, and that is not a question we have an answer to at the moment.

Chair: Sure.

Stephen Speed: When sufficient exploration wells have been drilled, well tested and flow tested—and we think it will take several dozen of those before we can be clear about the prospects for the future—at that point it will be possible to understand how quickly a production environment may develop.

Q59 Chair: The reason for my question is that if you look into the future, and you look at the trajectory that we are on in terms of phasing out carbon and moving towards renewables, the question is whether or not the time scale is compatible with the phasing out of coal. When you talk about us being some way off from having large-scale industrial fracking, the question is: how will that then coincide with the stage at which coal is being phased out, and whether or not the fracking will then be replacing coal or be replacing renewables.

Stephen Speed: It is very hard to say. My understanding of the coal side is that the European rules mean that that has to happen by the early 2020s, I think, and it is conceivable that we could have shale production on that time scale, certainly. But there is another point which is in a sense we will need what gas we need and we will get it from a diverse range of sources. The question with shale isn't necessarily whether it will be ready in time, it is whether shale is able to substitute for other sources that are available to us, which may be more expensive and they may involve bringing gas in from overseas. So there are a whole range of considerations here.

Q60 Chair: Your colleague just mentioned his specialism in terms of the Committee on Climate Change. Can I ask in respect of new clause 15, which the Government introduced in the Commons stages of the Infrastructure Bill, that the legislation will now require the Committee on Climate Change to advise on the impact of onshore oil and gas extraction? Do you envisage future Governments accepting that advice, if it was that fracking could not be accommodated within the carbon budgets?

Jerome Glass: It is difficult for me to hypothecate what the response of a future Government would be, but what I can say is that obviously the Committee on Climate Change has already expressed a view on fracking and said that in its view, although there were some things that we would need to—as Stephen was alluding to—watch carefully, going forward, that fracking and shale gas exploration should be consistent with the carbon budgets. It is worth saying—just to add to what Stephen said—in many a scenario and all scenarios we will need gas for many, many years to come and that is consistent with our least-cost decarbonisation trajectory. The purpose of the carbon budgets is precisely to allow flexibility so that you can precisely move between sectors and adjust many years in advance. I would envisage that it ought to be consistent with carbon budgets, as the Committee on Climate Change has said.

Q61 Chair: But putting it another way, if, for example, fracking meant that the budget would be exceeded in the 2020s, would the expectation be then that Government would say, “This is exceeding the carbon budget”? Presumably that would then bring in other sectors in BIS as well because any exceeding a budget in one sector would have to provide compensation in terms of another sector. What is the relationship between BIS and DECC in respect of all of this?

Jerome Glass: There are two things I would say, the first is that if, in the hypothetical scenario, the Committee on Climate Change were to come to that conclusion—as I say, the purpose of carbon budgets is to allow that trade off to happen—then it is a judgment for Ministers at that hypothetical point in the future. We are certainly not there now. There is every good reason to think that we won’t be there in the future but the way, as I described earlier, that the carbon budget system is set up is that you set a carbon budget and as soon as possible afterwards you then set out your strategy for how you are going to meet that carbon budget. I would envisage at that point that those sorts of judgments about where we would need greater policy emphasis and so on would be taken but, as I say, it is quite a hypothetical question. It is a hypothetical on a hypothetical. I am afraid there is probably a limit to what I can say on this.

John Fiennes: But also this is presumably primarily a question about gas usage, rather than gas production. At that stage, if the CCC says, “We have identified a risk to the carbon budgets” that we cannot see then there will be a debate about, what is the right balance between energy efficiency or carbon-saving measures that you could put in? What is the right substitution for different energy sources? If that’s the right answer, how would that be? There will be a conversation about carbon saving in the round but, in any case, the discussion about fracking has just been primarily about gas production, rather than the usage end.

Q62 Chair: What is the mechanism for involving BIS in that discussion in terms of different industrial sectors?

Niall Mackenzie: We have very good relations with our colleagues in DECC. We have a joint Minister, who helps resolve things very quickly. We have a range of discussions and a range of issues, including carbon budgets. We really are joined up and there is no difficulty in that. We use the evidence of Ministers to take the decisions.

Q63 Chair: Right, okay. Just in respect of the new clause 15, was the Committee for Climate Change consulted on that amendment?

Jerome Glass: I believe it was, yes.

Q64 Chair: Yes, it was, okay. Can I just ask the Government's position on fracking, whether or not that has been reached, taking account of the precautionary principle?

Stephen Speed: The Government's position on energy is being reached on that basis.

Chair: On fracking specifically.

Stephen Speed: Yes, but fracking is likely, for some time, to be a very small part of the UK energy mix. We still get round about 50% of our gas for heating and electricity generation from the North Sea. In terms of the precautionary principle, what we can say is that the Government has listened very hard to a wide range of stakeholders, both at local community level, at national level and so on, and thought very hard about how it wishes to mandate the fracking activity going forward. That is something that is being discussed actively in Parliament at the moment, as you know.

Q65 Chair: Okay. Just in terms of the Government's amendments that went through the Lords yesterday, could you just enlighten us as to what the difference is between the new clause 9—I think it was—that was accepted in the Commons? Was it 9 or 19?

Stephen Speed: Nineteen.

Chair: Nineteen, thank you. And the decision that was agreed upon in the House of Lords yesterday?

Stephen Speed: Essentially, the Government was keen to take on as much of the amendment 19 as possible and—

Chair: But not all. The Government accepted all of the amendment, did it not?

Stephen Speed: It accepted the amendment but said that it would—

Chair: Accepted the amendments in the Commons, did it not?

Stephen Speed: It was necessary to amend that amendment in the Lords for various reasons. Some of the—

Chair: That is what we are trying to understand, yes.

Stephen Speed: Yes. There were 13 subheadings in the clause and the principle is the Government accepts all of those. The question is, with very, very little time to have thought about this—literally days and hours in some cases—how practical it will be to do that. But the approach we have adopted, in the short time since the report stage debate, has been to try to use, essentially, the Secretary of State's decision on whether or not to issue a consent to allow fracking as the checkpoint. He needs to satisfy himself at that point that these things have been agreed to. It is fair to say there is a little bit more debate to be had yet on a few of those issues. I am very loth, in a sense, to get drawn into that because that is going to happen on the floor of the House at some point quite soon.

Chair: Do we have the time scale when that is likely to be?

Stephen Speed: That is in the hands of the business managers, is it not, to bring the Lords' position back to the Commons shortly?

Q66 Chair: Okay. I appreciate this is like a DEFRA issue, but how is the extent of radon monitoring factored into the safeguards that there now are as a result of the legislation as it currently stands?

Stephen Speed: As I understand this, the lobby that we have been under and have agreed to deal with is fugitive emissions, and fugitive emissions is normally intended to cover methane.

Q67 Chair: Okay. Just finally from me, the Natural Capital Committee in its third report earlier this month advocated the use of a wealth fund from the depletion of oil and shale gas and to support a 25-year plan for protecting natural capital, is that something that DECC and BIS are signing up to? Have you been involved in discussions about that?

Stephen Speed: The Chancellor mentioned something like that himself before the autumn statement. The position on that is that Ministers are thinking about how they want to take that forward.

Q68 Mark Lazarowicz: I have a couple of questions that really relate to issues of green finance and a second bunch of questions relate directly to the Green Investment Bank, but I want to talk about one or two more general issues first. As it happens, in our inquiry we did take evidence from the Green Investment Bank in 2013. At that point the chief executive of the bank highlighted that in the UK he felt there was a continuing shortfall in the £20 billion a year of green investment that the UK needed to meet our various targets. In 2013 he suggested that—I am just trying to check—at that point we were looking at £200 billion over 10 years and at the moment about £8 billion to £10 billion a year was going into the sector. Do you think it is fair to say there is a funding shortfall in green investment in the UK and, if so, what order of shortfall are we talking about? I am not quite sure who is best to answer that.

Niall Mackenzie: I can tell you what has happened and John might say about the shortfall. It is important to realise just how much the Green Investment Bank has achieved in terms of committing £1.8 billion to 41 projects and it has got about £4.2 billion of private sector investment in return.

Mark Lazarowicz: That is not disputed. It is about the gap between what the bank is doing, what it is leveraging in, what is happening with the sector more generally and how far we are going to fill the gap. That is the question. That is the issue, really.

John Fiennes: I can talk about the electricity side specifically, which is a little more than £100 billion for the decade. I believe we had about £45 billion worth of that in since 2010. I mentioned earlier that we were—

Mark Lazarowicz: Can you speak up a bit because of the acoustics?

John Fiennes: Sorry. We believe that about £45 billion worth of investment has been secured on the electricity side since 2010. We think that we are running at a rate that would allow us to meet the requirement over this decade. I wouldn't want to sound too complacent about that but we have been working very hard, not only through the Green Investment Bank but also through the certainty provided by the Levy Control Framework and the Contract for Difference. There is a challenge to sustain that level of investment and to bring the prices down, as the Minister alluded to earlier, but we believe that we are on track.

Q69 Mark Lazarowicz: Yes, that is one part of a sector. Obviously, it is a long way off, and I understand there is no certainty, but are you confident that we have a trajectory going in the right direction that is going to achieve that kind of figure that Shaun Kingsbury was talking about?

Niall Mackenzie: It is a range of things, we are not going to be able to guarantee that is going to happen but it is all about setting the regulatory certainty for the energy system. Part of the Green Investment Bank's role is to try to build confidence in the sector as a whole, not just energy but green investment generally. They are working hard to set the right metrics and encourage other investors to come in. Reverting back to energy, which is one of the areas that we will keep returning to, they are setting up a £1 billion fund to get people investing in existing offshore wind.

This is something that the City, and the investors more widely, were not investing in, they were just gradually building confidence. There was a success last week with the Government selling its investment in the Greencoat wind fund. The £50 million, originally put in by Government, has been recovered with a profit and there has been dividends in the interim and that money can be recycled into new projects. It is a steady-as-you-go approach. I can't tell you at this stage now how much of that gap, which the chief executive named, has been fixed and how much is still to be done.

Q70 Mark Lazarowicz: Okay. Can I ask a specific question that points to issues about the certainty that the market is getting? As I understand it, there has been an increasing proportion of onshore wind planning applications being rejected, at least in England anyway—I think there may be a different outlook in Scotland—so we are told. Why do you think there is such an increase? Is that due to any guidance or advice you have taken by DCLG or do you dispute that assertion? I have been trying to find my figures here.

Niall Mackenzie: That is the planning system, so we are not in the business of telling local authorities how to make their decisions.

Mark Lazarowicz: We are told that in fact since June 2013 DCLG or the Secretary of State has intervened in 52 wind farm planning applications. That does seem a lot to be getting involved in.

John Fiennes: The Electricity Market Reform delivery plan, which is published by DECC, set out how we thought that we would get to where to needed to be by 2020. Since then we believe we have had very strong demand from projects for the Contract for Difference. We had a successful round of allocations under the so-called final investment decision enabling a programme for renewables. We believe that we are on track for 2020. The planning system is what it is and I don't think I would offer any more comment about the particular projects that you have been talking about.

Q71 Chair: Just before we move on from that point, isn't there concern that whatever DECC might say the planning system is not in fact allowing local decisions to be made but the Secretary of State is calling in the planning applications. Is that not the issue there, to the detriment of the continuation of wind farm investment?

John Fiennes: I don't want to offer a comment on the Secretary of State's exercise of his powers. All I will say is I believe, as I said, we have a good portfolio of projects in the hopper, so to speak, and we believe we are on track to meet our 2020 requirements on the electricity side.

Q72 Chair: But are you in touch with other Departments on that—

John Fiennes: Yes, absolutely. If we had known the Committee was interested in that particular element we may have brought one of our renewable specialists along and they could have talked to you in more detail about it.

Chair: The concern of the Committee is that there appears to be an interruption to applications going forward in respect of wind, not because of DECC but because of planning applications. If there were to be any information on that it would be very helpful to the Committee.

Q73 Mark Lazarowicz: A couple of direct factual questions. First of all, as you will know the European Regional Development Fund in the next 2014-2020 round has a thematic focus of the low-carbon economy and there have been concerns or questions as to how far the UK has been able to participate in drawing from that fund. Can you give us any update on how the UK has been able to draw upon the ERDF, particularly given one of its emphases being on the low-carbon economy?

Niall Mackenzie: I don't think we can give you a systematic answer on the uptake. We can ask colleagues in communities and local government for those figures. I know of one or two projects but that is because of one or two projects I have been involved in. Picking ones on that basis probably is not very helpful. We have come back to with the—

Q74 Mark Lazarowicz: Certainly but I have heard a concern that suggests the UK has not been in a position to make the best use of that fund and I would be interested to know if that is the case. In that case, I would like to move on to another issue that we raised at an earlier stage. We had a concern about the UK's Regional Growth Fund and did not take sufficient account of environmental and emissions considerations because, although it encouraged bids to demonstrate, where possible, how their proposal will contribute to green economic growth, it did not, as we saw it, make a more specific requirement for projects under the Regional Growth Fund to be consistent with the overall objective on environment protection of climate change. Has there been any change to the criteria of a Regional Growth Fund since we made that point back in 2013 or can nobody here—

Niall Mackenzie: No, I don't think we have made that change. I would point out that there have been 31 awards from the Regional Growth Fund for low-carbon sector totalling £78.7 million and they have leveraged in £265 million of other money to those projects, so those are low-carbon projects. If the Minister were here he would make clear his view that economic growth is the right priority, but that does not mean it has to be at the expense of sustainability and the sustainable growth we want, both in terms of economics and environmental.

Q75 Mark Lazarowicz: Can you remind us, in terms of the overall allocation to the Regional Growth Fund, what percentage of that is going to low-carbon fund or what proportion is for specific projects?

Niall Mackenzie: Bear with me, I should be able to find the figure for total—can I come back to you on the total RGF spend later in the session or in a follow-up afterwards?

Mark Lazarowicz: I have a couple of questions on the Green Investment Bank that others may need to answer or but you may need to answer, but it would be helpful to get that overall figure today, possibly at a later stage.

Niall Mackenzie: Yes.

Q76 Mark Lazarowicz: You will be aware that the Government's budget policy in 2011 was to prevent the Green Investment Bank from borrowing itself until 2015-2016 and until Government debt started falling as a percentage of GDP. As you will know, the Government's target of expectation of when that date will be reached has gone into the future. Is it still the present Government's view that any loosening on the restrictions of the bank's borrowing powers should be linked to the overall deficit or is there a change of view in the Government on that issue?

Niall Mackenzie: No, it is still the same—that the Green Investment Bank can borrow when fiscal conditions permit. They have been given clearance or the option of borrowing up to £500 million in the 2015-2016 financial year from the National Loans Fund. But at this stage they still have not committed all the funds that have been allocated—or existing funds, the £3.8 billion—so it would be a decision for them. But I don't think the expectation is that they would need to borrow in the short term and this is obviously something a future Administration will want to look at again.

Chair: In response to Mr Lazarowicz's questions, we do appreciate that the Minister not being here it is not necessarily easy. We would be very happy if the Minister wanted to perhaps get back to us in a little bit more detail on that and we would be very content with that.

Q77 Mark Lazarowicz: What is the Government's current position on the possible use by the Green Investment Bank of green bonds and green ISAs that have been suggested in the past as an additional way of bringing funding into the sector? Again, I accept you will have to give us a factual position unless you can indicate Government is considering a change in any way.

Niall Mackenzie: Obviously, I have already explained the general borrowing position for the Green Investment Bank but the company has been exploring the strategic case for issuing bonds to institutional or indeed retail markets in due course but it has not reached any conclusions at this stage.

Mark Lazarowicz: Any conclusions by the Government or by the bank?

Niall Mackenzie: By the bank.

Q78 Mark Lazarowicz: There were discussions or suggestions from the bank about closer co-ordination between the activities of the Investment Bank and the UN Green Climate Fund. The bank saw a number of opportunities there to usefully contribute from its expertise and so on to the activities of the international Green Climate Fund. Have there been any discussions involving the Government on that? Is there any progress in that area, suggestions of how that could happen?

Niall Mackenzie: I am afraid I don't know the answer to that question, unless DECC colleagues do from their—

John Fiennes: My understanding is there are discussions but I can't, unfortunately, tell you where they are.

Mark Lazarowicz: What the content is?

John Fiennes: Sorry.

Q79 Chair: If there is any possibility of clarification from the Minister on that we would be very happy to accept that. Just before I finally bring the proceedings to a close, I am just reminded about my earlier questions, which Mr Speed kindly answered, about the difference between the Infrastructure Bill, as it currently stands—prior to coming back to the Commons—and how it stood when it went from the Commons to the Lords, and I just would be very grateful for clarification on two small points. Is it the case that the current Bill has removed the specific requirement for an environmental impact assessment?

Stephen Speed: That is one of the points that I think may be clarified in the debate in the Commons.

Chair: Right.

Stephen Speed: We have accepted the principle from the Labour amendment in the report stage. It is worth reminding ourselves that, in any event, the industry has already voluntarily signed up to undertake an environmental impact assessment for any site at which they choose to do fracking. Whatever Parliament decides—when it finally concludes its debate on this in the Commons I hope—it will simply be reinforcing something that is already happening.

Chair: But some might say there is a difference between a voluntary signing up to something with the current membership of the industry as it is, to having a requirement that an environmental impact has been assessed.

Stephen Speed: Yes. We accept that putting that into the face of law is helpful but the fact of the matter is that the industry—and we deal a lot with this industry—know full well that their social licence to operate is at stake. Having made that commitment, even if we were not legislating for it, it would be something that they know they would be very ill-advised to walk away from. The most recent example, as I am sure you are aware, is Cuadrilla, who submitted a very, very thorough environmental impact assessment indeed for the two wells that they are looking for planning permission—

Q80 Chair: Sure, but is there not an issue as well about objectivity of environmental impact assessments as a basis for policy?

Stephen Speed: People have to make a judgment for themselves, don't they, about the environmental impact that is put in front of them? I am quite sure that people who undertake environmental impact assessments will be doing them in very good faith.

Q81 Chair: Okay. Just finally, the other discrepancy between new clause 19 and where we are now is in relation to operations in protected areas within and under. Apparently it does not specify "under" any more and there is concern about that. Is that something that features in your deliberations?

Stephen Speed: It is something that I am aware of and I am afraid I need to allow that debate to happen. Ministers need to work out what they want to do and that debate will have to happen in the Chamber.

Q82 Chair: Okay. Is ancient woodlands part and parcel of that discussion as well?

Stephen Speed: My understanding of the amendment, as it stands at the moment, is that we have said that it is really rather difficult in practical terms to be specific about this at the moment and that we would wish to bring forward regulations by July. We have committed to try to do that, to specify in much more detail exactly what the word "protected areas" will mean.

Q83 Chair: Will there be full and frank consultation with the organisations involved, with Areas of Outstanding Natural Beauty, with ancient woodland, SSSI and so on?

Stephen Speed: Yes. We generally have learnt the hard way in Government and particularly in DECC, we simply have to consult before we promulgate regulations in any areas like this, so we will consult.

Q84 Chair: Given that we are producing a legacy report, it would be helpful, at the earliest opportunity, to have some confirmation of where Government thinking is in respect of these most important issues.

Stephen Speed: I completely understand but I am going to have to remind the Committee, if I may, about the answers to previous questions, which is that we have a general election coming up and it will be a matter for a new Government to decide exactly how to do this. We have about six weeks left before we—

Chair: But, none the less, I imagine that the Infrastructure Bill will have been signed, sealed and agreed before the general election.

Stephen Speed: I hope so.

Chair: That is perhaps the one chance to confirm that. Okay, we are very grateful to all three of you and the substitute, Mr Speed. Steve Speed happens to be the name of our groundsman at Port Vale Football Club, and a brilliant job that he does too. I thank all four of you very much indeed for coming along.