HOUSE OF COMMONS

Scottish Affairs Committee

Oral evidence: The renewable energy sector in Scotland, HC 83

Tuesday 14 June 2016

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Written evidence from witnesses:

- Department of Energy and Climate Change

Watch the meeting

Members present: Pete Wishart (Chair); Mr David Anderson; Kirsty Blackman; Mr Christopher Chope; Margaret Ferrier; Chris Law and Maggie Throup.

Questions 437 - 527

Examination of Witnesses

Witnesses: **Lord Dunlop**, Parliamentary Under-Secretary of State for Scotland, Scotland Office, **Andrea Leadsom MP**, Minister of State, Department of Energy and Climate Change, and **Tom Luff**, Head of the Renewables Programme team, Clean Electricity Directorate, Department of Energy and Climate Change, gave evidence.

Q437 Chair: We will start with the usual introductions, who you are all, who you represent, and anything by way of a very short introductory statement. We will start with you, Minister.

Andrea Leadsom: Thank you. I am Andrea Leadsom, Minister of State for Energy and Climate Change. I am very grateful for the opportunity to come and give evidence before the Committee today, so thank you, Chairman.

I would like to begin by saying that I am very proud of the renewables success story in the UK. We have a proven track record of growth. 2015 was another record year with £13 billion invested in renewable electricity and renewables providing nearly a quarter of the UK's electricity generation, outperforming coal for the first time. Scotland has been a very important part of that success story. An ONS survey published last month estimates that in 2014 low carbon and renewable energy activities generated £5.6 billion of turnover and employed around 21,500 full-time equivalent employees in Scotland. About 30% of the UK's renewable electricity generation capacity is in Scotland.

As the Committee will know, we identified a significant projected overspend on renewable support schemes last year that meant we needed to take decisive action to control costs and protect consumer bills. With the recent passage of the Energy Act and the closure of the renewables obligation to new onshore wind, we have now completed implementation of those cost control measures and placed our energy policy on a more sustainable footing. However, even with the cost control measures we have taken, we are still on track to deliver 35% of the UK's electricity from renewables in 2020, exceeding our ambition of 30%.

That is just by way of introduction to set the scene. Thank you very much.

Lord Dunlop: Thank you, Mr Chairman, for inviting us here today. I know this is an important inquiry for the renewable energy sector in Scotland. Scotland has played a very important part in the renewables story of the UK and will continue to play a very major part as we look to the future. I am very welcoming of this inquiry and the opportunity to address your questions.

I also want to note that we have had the recent passage of what is now the Scotland Act and we have delivered the Smith commission in full, meeting our commitment to strengthen the Scottish Parliament. This includes important energy-related powers, including the power to design and implement schemes relating to energy efficiency and fuel poverty and, I think particularly relevant to today's discussion, giving Scottish Ministers a formal consultative role in the design and redesign of renewable support schemes. Reflecting what Paul Wheelhouse said to you last week, we very much look forward to resetting the relationship after the Holyrood election and driving forward to implement this new devolution settlement.

Q438 Chair: Mr Luff, do you have anything to add? I didn't know if you were decorative or whether you were a participant.

Tom Luff: My name is Tom Luff. I am the Head of the Renewables Programme team in the Clean Electricity Directorate in DECC.

Q439 Chair: Obviously not decorative. That is a very fulfilling task. I am quite surprised that none of you thought to mention the fact that today there was quite a big announcement in Scotland that we have now met our target six years early. Not only have we met the 42% target that was set back in 1990 but we have more than exceeded it at 45.8%. We find it a little bit odd for a Scotland Office Minister to be with us and not mention that.

Lord Dunlop: I am sure you are going to give me plenty of opportunities and I am grateful to you for drawing attention to it.

Q440 Chair: Given what you have announced about your early decision to withdraw support for renewable obligations for wind and solar, how will these announcements that have been currently made, which is part of the Energy Act, help Scotland ensure that we meet even more ambitious targets in the future?

Andrea Leadsom: What is very clear is that our intention in closing the RO early and in the measures in the Energy Act and also in the feed-in tariff scheme was to get the balance right between the costs to bill consumers and the amazing deployment. You are exactly right, Mr Chairman, I am sorry there was not a stop press notice but enormous congratulations are due. I am sure you will agree that with 8% of the population of the United Kingdom and 24% of the renewable obligation spend on Scotland, there has been an enormous investment in Scotland. The whole of the United Kingdom takes pleasure in and has in fact contributed through their bills to the success of Scotland in meeting its renewable energy target six years early. Huge congratulations but you will appreciate, Mr Chairman, that we also, as consumer champions in Government, need to look after the costs to consumers.

Q441 Chair: We want to come on to some of the geographical costs as much as we can identify them according to what is available from your Department, but just on this—I don't know if Lord Dunlop could help us with this—we have heard the commitment towards consumers; how do the recent announcements from this Government assist Scotland in ensuring that we do even more?

Lord Dunlop: The key thing I would say about how do we help consumers is that investing in new capacity is extremely expensive. It is the broad shoulders of the UK, spreading those costs across the UK, that really helps consumers in Scotland. I am sure we will come on to talk about transmission costs, but 80% of those transmission costs feed through into consumer bills. I think it is very helpful indeed to Scottish consumers to have those costs spread across the whole of the UK and not falling completely on Scottish consumers.

Q442 Chair: What I have not heard in any of these replies—which I am very obviously grateful for—is how the recent announcements will help and assist.

Andrea Leadsom: Let me have another go at that. In previous allocation rounds, Scottish projects won 11 from the 25 contracts for difference that have been issued. You will be aware, Mr Chairman, that we have announced an ongoing commitment to offshore wind of a further £730 million of investment. The first CfD auction will be in Q4 this year and we anticipate there will be Scottish projects that bid into that, as well as around the United Kingdom. For the renewable heat incentive, Scotland is the second largest beneficiary with approximately 20% of the capacity of accredited installations up to the end of April 2016. The Government have recently increased the budget for the RHI to reach £1.15 billion by March 2021 from its current £430 million budget level.

It is expected that the investment decisions being taken on future deployment of those technologies that have not yet reached a point where they can stand on their own feet without subsidy will benefit Scotland and we look forward to that being the case.

Q443 Chair: We are grateful for all that but it was not actually the answer to the question about how the recent announcements will help Scotland.

Andrea Leadsom: I think the CfD announcement and the RHI—how recent do you mean? I think I have just answered your question.

Q444 Chair: We are talking about the withdrawal of support for renewable obligations for onshore wind and for solar. Let me tell you what others say about. For example, Scottish Renewables say, "It is estimated the impact of cutting renewables obligation for onshore wind will cost Scotland up to £3 billion of lost investment and put at risk 5,400 jobs". That is their view about what will happen as a consequence of what was recently announced for renewable obligations. The Climate Change Committee says there is an impact on investor confidence, and it was reflected in the UK dropping out of the top 10 attractive countries to invest in renewables according to the EY Renewable Energy Country Attractiveness Index. You have obviously seen this, Minister, which is the report by the Select Committee and its conclusions are quite dramatic, "It is clear that the confidence of many investors has been dented by the Government's actions since the election". Do you recognise these comments? Do you accept their accuracy? If they are wrong, where have they got it wrong?

Andrea Leadsom: I think that the UK has been a superb place for investment and continues to be so. As I said in my introductory remarks, last year was another record year for investment in UK renewables. Of course, the point is that there is a balance. We have seen far in excess of our expectations for renewables deployment right across the board and what that meant was that the cost to consumers was far beyond what we had expected and budgeted for them to be by 2020. What we have had to do is to rebalance the equation to make sure that we are taking into account the cost to consumers, which obviously includes Scottish consumers, as well as the needs of industry. But I say again, as you have just pointed out, Scotland has met its carbon emission reductions six years early. In the UK we are on target to meet our renewables targets, exceed our renewables targets of 30% by 2020, and in fact we will be achieving 35%. It is right that when we set out our plans that if we massively exceed them in the early days, we should then take very careful account of the consequences for the bills of those hardworking families and businesses who are having to pay for it.

Q445 Chair: We want to come on to consider Scotland's contribution to the UK targets and how we are assisting, hopefully, the UK and your Department to meet some of these targets, but can I just say that we have 70% of the onshore wind capacity in Scotland. There will be a disproportionate impact from the withdrawal of support to Scotland. First, do you recognise that and, secondly, what is your Department going to do in order to help us address some of these shortcomings?

Andrea Leadsom: I think it was a very clear manifesto commitment that was set out long before the 2015 general election that this Conservative Party was determined to, first, give local communities a final say on the siting of windfarms—

Chair: Not Scotland?

Andrea Leadsom: —but, secondly, to stop the ongoing cost on consumer bills and that there would not be any further subsidies for onshore wind. That was a very clear manifesto commitment.

Q446 Chair: What is the issue with this Conservative Government and onshore wind? Is it an ideological hostility to it or do you just not like them very much? They are obviously significantly, substantially assisting us in meeting targets. What is the problem with them?

Andrea Leadsom: As I say, we have very clear plans for meeting our renewable electricity targets of 30% by 2020. We massively exceeded those and it is a simple issue of the cost to consumers versus meeting our targets. Once you have met your targets and exceeded them you, of course, need to consider fairness to bill payers. It was a very clear manifesto commitment and we are determined to be fair to bill payers.

Q447 Chair: Just before I bring you in, Lord Dunlop, this is important to us because we are trying to understand the reasons why this Government have a particular issue with onshore wind. We invited some of the anti-windfarm groups to come in to try to understand some of their issues and while there were a number of things that they brought forward that I think were quite legitimate about the impact on house prices and on the visual environment, they also started to question the very science and started to raise issues with whether there was even such a thing as climate change. I am presuming that is not the Government's position when it comes to onshore wind but I am still struggling to understand what it is you have against onshore windfarms.

Andrea Leadsom: I think I have explained several times now and you are very well aware that the Government's position is that we are committed to meeting our climate change targets, keeping the costs down for consumers and keeping the lights on. To express it another way, in our electricity market reform delivery plan, we budgeted for between 11 and 13 gigawatts of onshore wind by 2020. We now expect to be at about 12.3 gigawatts by 2020, so we are absolutely within our plans and that is taking into account the cost control that we put in place. There is nothing odd about this. It is that when you set out a plan and you have exceeded it and that has cost implications for families and businesses, you need to then focus on keeping the costs down for families and businesses.

Q448 Chair: I am still not hearing much about onshore wind, but we will leave it at that just now.

Lord Dunlop: To add to what Andrea has said, when resources are finite you want to focus those resources where they are needed most. From the engagement I have had with people in the industry, they do recognise that the costs of onshore wind have come down and what the Government are doing is using the finite resources going forward into other areas like offshore wind, which I am sure we will come on to talk about.

Andrea Leadsom: I am sure you are aware, Chairman, that there are some projects that have come forward since the RO closed, so there is a small amount of evidence that some projects, if they are well-sited, can come forward without subsidy. Lord Dunlop is exactly right to highlight the fact that since there is a limited amount of money we can expect to put on to consumer bills, we should focus it, as we are doing, on those technologies such as offshore wind where the scope for the downward trajectory of costs is very steep if we can invest in it and support it, and that is what we are prioritising.

Q449 Chair: Are we not heading towards subsidy-free wind production from onshore wind and if we kept on supporting the sector are we not into a situation where not only does it compete with all other energy sources, it is actually going to be ahead of them in unit per megawatt?

Andrea Leadsom: Is that your assertion or is that a question?

Chair: No, I am just asking, is that not the case? If we continue to invest into this resource we will surely achieve a subsidy-free—

Andrea Leadsom: But the point is, Chairman, that money does not grow on trees. I am rather surprised because a number of your colleagues from the Scottish National Party have taken part in and held debates themselves on fuel poverty and the very real impact of large subsidies for those bill payers. We have to prioritise and it is the case that offshore wind offers enormous potential for decent load factors, for more reliable electricity, as well as for the costs to come down very rapidly and the fact that Scotland will continue to benefit from those auctions that are coming up. Money does not grow on trees. If we want to do support for offshore wind and onshore wind, and I think you are suggesting every other renewable technology, that will put an unacceptable burden on bill payers and we are not prepared to do that.

Lord Dunlop: I read with interest what the Scottish Government Minister said in front of your Committee last week. I was very encouraged by the constructive and realistic tone that he adopted, his recognition that the right way forward is to compete for the lowest cost of meeting our renewable targets and in that being technology-neutral. I very much welcome the constructive approach that he was adopting last week.

Q450 Kirsty Blackman: How much does it add to consumers' bills? How much is the additional cost of onshore wind? You are talking about it being expensive and adding money to consumers' bills. How much does it add to consumers' bills?

Andrea Leadsom: I am sorry, I am not sure. Are you talking about specifically how much—

Kirsty Blackman: With the subsidy, how much does the subsidy cost?

Andrea Leadsom: Are you talking specifically about onshore wind?

Kirsty Blackman: Yes.

Andrea Leadsom: What I can tell you is that the saving of closing the RO a year early has different projections. In the central scenario closing the RO a year early across all bill payers would save £20 million in aggregate. That is with the central scenario, but what we found is that the high scenario of deployment has tended to be closer to the mark and were the high scenario of deployment to be the case, it would save £270 million in aggregate from consumer bills.

Q451 Kirsty Blackman: How much is that per consumer, do we know?

Andrea Leadsom: Off the top of my head—do you have that number?

Tom Luff: We have.

Chair: I think Bloomberg said it is half a cup of cappuccino per day.

Andrea Leadsom: In the high scenario it is £3.40 on an individual bill but the point being, of course, that in aggregate terms, at a time where the Office for Budget Responsibility projects the levy control framework to be massively exceeded, closing the RO a year early is one of several measures to keep down the costs to consumers.

Q452 Kirsty Blackman: Just on that, Hinkley Point C's projected costs are £4.28 minimum a year to consumers, which is more than the £3.40.

> ***Andrea Leadsom***: Hinkley Point C will generate 7% of electricity in dispatchable form to the United Kingdom, so it will be baseload power. It also will not be producing until 2025 and you can't compare a current price with a future price. You need to take all sorts of assumptions into account to be able to compare those precisely, including issues like inflation, the wholesale price of electricity and so on. It will be dispatchable baseload power, which onshore wind is not as things stand, so you can't really directly compare those two things.

Q453 Chair: We could compare the prices, which I think has just been demonstrated and it seems to be significantly cheaper. We will get to intermittent—

> ***Andrea Leadsom***: What we are talking about is a closure of onshore wind subsidies versus the counterfactual, which includes assumptions on how much would deploy if we did not close it early. To say that 7% of the UK's electricity would cost £4.80 per head versus whatever might deploy if we did not close the RO a year early is only £3.40, however reliable that might be, you are massively comparing apples with pears there.

Q454 Chair: Could you help us with this one, because we are finding it very difficult to locate these figures? You talked about the levy control framework and, fair enough, the Government have made their intentions quite clear with this and up to 2021 you have given how much you are prepared to spend on this. Is there a geographical breakdown of the levy control framework and is there anything available to this Committee that could compare like with like so that we could realistically compare nuclear with onshore wind, with other renewable technologies and thermal generation? Can we get that?

> ***Andrea Leadsom***: We are doing a huge amount of work in the Department on the whole price of every different technology. It is not just a matter of the subsidy either. You also have an impact of the transmission cost, the location of that unit and so on. We are, as we speak and we have been for some months now, trying very hard to get a complete handle on the total costs of every different part of electricity generation, which would also include things like capacity payments and black start payments and so on. We are making a significant amount of progress on that. But in truth, because the levy control framework is socialised so everybody pays for it in their bills, you would divide the total amount by the head of population across GB and then you would take 8% of that, which is the Scottish population, and that would give you the levy control framework per head in Scotland, but I don't think that would really tell you anything. More useful, possibly, is the fact that a significant proportion of all subsidies has gone to Scotland. As I said at the beginning, although Scotland is only 8% of the population of the UK, 24% of the RO spend has gone to Scotland and of the 25 CfDs issued, 11 have gone to Scotland.

Q455 Chair: Can we see a geographical breakdown of the levy control framework that demonstrates that is the case? We are finding it very difficult to see—I know it is globally asserted that Scotland is securing all this extra subsidy and we are going to be building Hinkley Point, but let's just forget about the subsidy for that because that is of national importance and it creates this baseload, so there is always a reason, an excuse to find the funding and extra resource for that. All we are asking is to see what we are getting per head and to challenge a little bit about some the assertions that are made. Let's not compare apples with pears because it looks like we are trying to compare apples with pomegranates when it comes to this. We will see if we can secure this information that will maybe help this Committee a little bit more. Would that be all right, Minister?

Andrea Leadsom: I am not quite sure what you are asking, Chairman.

Chair: What I am asking for is quite clear. It is a geographical breakdown of the levy control framework about how much these billions of pounds, which is predicted year on year to be spent on this, will be broken down per head geographically. Is that possible?

Andrea Leadsom: As I say, it is socialised so everybody pays pro rata on their own fuel bill.

Q456 Chair: We will leave that alone just now and I want to come back on to something that Lord Dunlop said. I am grateful, Lord Dunlop, that you were paying attention last week, as I would expect from a diligent Minister like yourself. What you will have heard, and I think something that particularly appalled this Committee, was the lack of consultation between this Government and the Scottish Government on something as important as an early announcement on renewable obligations, given our responsibilities on this and the obligations that we have for climate change targets. We have managed to secure, as further evidence, a list of the correspondence and the letters that went from the Scottish Government to Ministers here. Where there has been information exchanged, there was no attempt to listen to the Scottish Government and its concern. It is an exercise that could barely be called a consultation. Why did this happen?

Lord Dunlop: The first thing I would say, as has already been said, is that this was a manifesto commitment, so it was very clearly signalled in advance. I would reiterate what I said. From my engagement with industry, they had seen that signal in the manifesto and had already begun to think about what the implications of that were for their businesses. Immediately after the election there was contact between DECC Ministers and Scottish Government Ministers to discuss what was coming down the track. Subsequent to that decision, there was a lot of engagement. Indeed, the Scotland Office facilitated some of that with a round table with industry in Edinburgh involving DECC officials. I think you have to bear in mind the circumstances: a manifesto commitment, implementing quickly that manifesto commitment, the engagement between DECC Ministers and Scottish Government Ministers, and then actually sitting down with the industry to talk about the practical implications, and that is where you get into the whole debate about grace periods.

Q457 Chair: What I am hearing here, Lord Dunlop, is not so much Scotland's voice around the Cabinet table but the Conservative Government's voice to Scotland. All you are doing is basically again glibly asserting something. There are a couple of choice comments from the correspondence that we were presented with this week. This is from the First Minister, "I strongly disagree with the decision that has such a profound impact on a key sector of the Scottish economy". From the Minister who was responsible for climate change targets, "Your intention to close the RO ahead of schedule has generated considerable and widespread uncertainty and concern across the renewables sector". These are just two of a whole list of concerns from the Scottish Government, that I have here. What were you doing?

Lord Dunlop: I think you have to recognise that there is a genuine policy difference here. The Government's view was to implement the manifesto commitment and we have gone through all the reasons why we wanted to, going forward, focus resources on those less well established technologies, and to get that balance between all the three aspects, security of supply, meeting our environmental commitments but also how do we protect consumer bills. Those were the clear principles behind which we were operating and, within that, once that decision had been made then it was to engage with industry at the Scottish Government on how that would be implemented in a way that industry could manage.

Q458 Chair: Is there not a shred of your obligations to the job and your sense of responsibilities to Scotland that you could actually stand up and say, "We have 70% of the resource. We are massively investing in all this. We are trying to set world record targets", could you not turn round, as a Scotland Office Minister, and put the Scottish interest in this?

Lord Dunlop: I think, as we have already seen, Scotland has done very well out of the resource that has gone into renewables, reflecting its very important place in the overall mix, and we expect that to continue in the future.

Q459 Chris Law: Could I ask a question regarding a timeline? There was a manifesto commitment and then there was correspondence you said between DECC and also the Scotland Office with the Scottish Government. Could we get sight of these letters, first of all? I also want to ask a second question, which is: how involved is industry in renewables, in particular onshore wind, involved in any discussions prior to a manifesto commitment? If there has not been any it must have come as a horrific shock for those who have invested in many companies, in fact invested millions, only to find that they are going to get cut very short by those commitment, so I want to know if there has been some advance notes to them and what negotiations had been made?

Andrea Leadsom: I can tell you that on 3 June the Secretary of State received the letter from Fergus Ewing. On 8 June 2015, there was a phone call between the Secretary of State and Fergus Ewing. On 11 June there was a letter from the Secretary of State to Fergus Ewing—

Chris Law: Can I just stop you there?

Andrea Leadsom: Yes.

Q460 Chris Law: Sorry, my apologies, I am asking before. I am not asking about since the election in May. I am asking pre-May 2015, so making a manifesto commitment must have been based on discussions you had either with Scottish Ministers about what are needed in Scotland regarding onshore wind or, indeed, onshore providers of those who are preparing for renewables obligations. Can I just ask again what negotiations, what discussions were had with both industry and the Scottish Government prior to making this manifesto commitment? I understand arguments about you are looking to make savings but I want to know: was an assessment made of the impact, both on industry and of course for those who are looking to either set up businesses or, indeed, are already undertaking contracts at the moment?

Andrea Leadsom: The simple answer to that is: I am not aware of what discussions took place, simply because I was at the time the Cities Ministers and I was not privy to discussions so I am afraid I cannot answer that question, Mr Law, and would be happy to do so. I would like to make a couple of points. First that that manifesto commitment was signalled long before the general election of 2014. I do not have the quotes but I certainly, in the passing of the Energy Bill, used a number of quotes ranging from the Prime Minister to previous Energy Ministers, making very clear that, should a Conservative Government be elected, we would seek to withdraw the subsidy for onshore wind. I think there can have been no doubt that, if a Conservative Government were elected—and it is of course a reserved matter that particular subsidy, but you will also be aware, Mr Law, that under the Scotland Act there is now a formal, consultative role for Scottish Ministers in the design or redesign of renewables support schemes. I apologise that I cannot specifically answer that question now but certainly, going forward, there will be those formal consultative roles.

Q461 Chris Law: Thank you. Can I put that question to you, Lord Dunlop, and also to Tom Luff, because he may also have known what was going on at DECC?

Lord Dunlop: Equally, I did not have responsibility for that at the time, so I cannot comment on what discussions took place at the time, so I would just reiterate what the Minister has said.

Q462 Chris Law: So we do not have a timeline and nobody can give me advice as to what indications for both industry and for the Scottish Parliament there would be. One example that springs to mind, which is not about onshore energy but is about the carbon capture storage. That was not in your manifesto.

Lord Dunlop: Can I make the point? We had a manifesto commitment. We then had a period of time in which there was a debate during the general election, so it wasn't as if the manifesto was published and then suddenly it appeared to industry. There was a period of time, there was a debate and then we got into the post decision—

Q463 Chris Law: I just want to know if there had been consultations, yes or no. What is the answer?

Andrea Leadsom: We do not know the answer. I think we have been quite clear. We have apologised. Neither of us was in the Department at the time and so it is not that we are saying there weren't any. We are simply saying that, as human beings who were not in the Department at the time, we cannot answer that.

Chris Law: Sure. No, I appreciate that. So you could provide—

Andrea Leadsom: We will seek to but I do want to say again that it was made very clear—on many occasions more than a year before the general election—that Conservative Party policy was to remove subsidies for onshore wind. It was extremely clear.

Q464 Chair: I think in Scotland we did everything we could to ensure that that would be a manifesto commitment. It would carry through and 40% of the people Scotland at the last general election supported that.

Andrea Leadsom: Yes. Nevertheless, Chairman, you will need to accept of course—

Chair: We do.

Andrea Leadsom: —that the costs are socialised. If Scotland were herself paying for the full cost then that would be fine, but this is a reserved matter specifically in part because the cost of all of this subsidy goes very heavily on the shoulders of those living in England and it would not be fair for the Scottish Parliament to make decisions that affect English bill payers. I am sure you would agree with that.

Chair: We are going to explore a few of these issues that you just mentioned too. I think before we move on—because I think we do need to move on from this—if you could, Minister, we received all the correspondence that went from the Scottish Government to Ministers in the Department of Energy and Climate Change, if it would be possible could you give us the same correspondence so we could see what was discussed and what type of conversations were had between both Governments, if that is all right. Thank you.

Q465 Mr Anderson: Can I come back to the costs of this? I think you said the central cost would have been £20 million but the high end cost was £270 million. Was there a lower cost and a central cost?

Andrea Leadsom: There is not that assessment, no. There wasn't that assessment on the basis that all of the experience ever since the LCF was established was that the costs, the deployment, the demand and the load factors had significantly exceeded expectations all the time so it wasn't likely that they would suddenly turn round and be an undershoot.

Q466 Chris Law: So why did you refer to it as a central cost?

Andrea Leadsom: What do you mean, why did I refer to it as a central cost?

Chris Law: You gave us two figures. When Ms Blackman asked you what was the cost you said, "The central cost was £20 million but the higher end cost was £270 million".

Andrea Leadsom: Yes. The central cost is assuming that our forecasts are accurate which, as I say, they never have been because the deployment has always far exceeded our estimates, which is why we say the central cost, which is on our estimates, is £20 million but the high cost, which is where at the high end of expectations, which is where our experience has tended to be, would put it then at £270 million.

Q467 Mr Anderson: The Chairman put to you two things, one that the people that invest in these things advised that investing in the Scottish onshore wind economy was going down from eighth to eleventh in the world, and also we heard from Scottish Renewables. They thought there could be a £3 billion hit to the industry and possibly 5,500 jobs. Do you agree with those figures or not?

Andrea Leadsom: I am not agreeing or disagreeing with them. What I am saying is that our manifesto commitment was very clear and that—

Q468 Mr Anderson: I am sorry, I heard you the first time and the second and the third time. I am specifically asking about: we heard from people who gave us evidence in good faith saying this is their view. Did nobody do an assessment on what the impact would be? If we are losing 5,500 jobs it is a third of the state industry work in this country, basically, and we are doing lots across the service industry but if we are going to lose 5,500 jobs out of the economy surely that is something we should be prepared for.

Andrea Leadsom: Absolutely, but I think very key to this is that Scotland has benefited enormously—as I said at the beginning, the renewables sector is around £5.5 billion of turnover and around 21,000 jobs in the Scottish economy. That is all very recent growth as a result of this stunning expansion in renewables that far exceeds our forecasts and your own. As your Chairman has just pointed out, the Scottish Government has met its own renewables.

Mr Anderson: It is not my Government, sorry. I wish it was. It is not my Government.

Andrea Leadsom: I said the Scottish Government has met its—

Mr Anderson: You said your own.

Andrea Leadsom: Sorry, I was looking at the Chairman as I said that, I beg your pardon.

Mr Anderson: All right.

Andrea Leadsom: The Chairman has pointed out that the Scottish Government has met its targets six years early, so all I can do is repeat the fact that this has been a fantastic success story for Scotland and for the UK and it has exceeded our expectations. Of course, when you decide to subsidise an industry, you are not deciding to do that because you just want to create jobs where there are not real jobs, you are doing it because you can see the potential for the low carbon sector to be a real job creator of the future. So you make a budget on what you can afford to spend on getting that off the ground and, in order to do that budget, you have to make various assumptions about deployment and load factors and so on. What I am saying is it has been massively more successful than our wildest dreams and so, because we have already met in our projections already, we have exceeded our renewables targets to 2020, we actually have to focus on mitigating the costs for consumers and that is why we have done this.

Q469 Mr Anderson: I have to tell you we are hearing from organisations, and individual business on the ground, that the lack of confidence that you have inspired in them is having a negative impact on development.

Andrea Leadsom: I absolutely understand that. I have had a number of meetings with investors and with developers and I absolutely do understand that but, equally, I am sure, Mr Anderson, that you would agree that when there is a set amount of money that is reasonable to use of the bill payer, we should not continue to put all of our eggs into one basket. Our entire energy policy rests on the idea that we have diverse energy sources and we want to focus on building more offshore wind to get that cost trajectory down. We want to do more on the renewable heat incentive. We want to do more on new nuclear. All play a part and you don't just want to have all your eggs in one basket. There is a balance to be struck and that is what we have tried to do, to be fair to developers and at the same time fair to consumers.

Q470 Mr Anderson: Can I move on to the practical implications for generators who are providing onshore wind and, ultimately, offshore wind and other types of intermittent generation? The Secretary of State has said that the intermittent generators of electricity should be responsible for the pressures they add to the system. Can you tell us in practice what that means?

Andrea Leadsom: As I mentioned earlier, we are doing a lot of work to try to look at whole system costs, and of course we are all extremely excited about the prospects for storage coming down the track. We hope that in the next few years there will be a significant amount of storage available, which could of course then store electricity that is generated at the time it is not needed for a time when it is needed.

One of the exciting things I think about my Department is we don't know what we don't know. There is so much innovation. There are so many great new ideas and, since none of us have a crystal ball, it is hard to see exactly who the winners will be of the future. So what we try to do is to be as technology neutral as we can be and to deal, using the amazing technological improvements, ideas and advances, to get to a point where we are balancing the system so we do not have too much intermittency or too much baseload, but where we are using the opportunity of decarbonising, using enough dispatchable power and then taking the benefit of lower carbon technologies but keeping that system in balance. It is a difficult task and it is something that we don't want to overload with just renewables that are intermittent and of course, at the same time, we don't want to overload with coal-fired power stations because that does not meet our decarbonisation targets. The balance between keeping the lights on, keeping the bills down and decarbonising is quite a challenge and it is one that we do try hard to maintain.

Q471 Mr Anderson: I am no clearer than where I was when I asked the question. We went to the Orkneys and there was a place there with five wind generators. If that man had said to me, "I have been told that I have to be responsible for the pressures I add to the system because I am producing electricity that is intermittent" what would my answer to him be?

Andrea Leadsom: We do want to move towards a fairer system where you pay for the full costs on the system. There is no doubt about that. That would be the right thing to do, but that of course then does depend very much on the location and on the existing pressures on the system and so it is very difficult. There are always winners and losers. If I was to say in—I don't know—Cornwall, for example, "Everybody who wants to put a domestic rooftop solar plant connection to the grid has to pay the full cost of that", and then with the 150th person we now need to massively double the size of the transmission network, it would not be fair to say, "Right, so because you are that 150th person you now have to pay for that". I am afraid I am not giving you a very clear answer because there really isn't one. We do want to move towards a—

Q472 Mr Anderson: What is your policy, though? You have a policy with no answer.

Andrea Leadsom: No, no, the policy—

Mr Anderson: Your stated policy is that intermittent generators of electricity should be responsible for the pressures they add to the system.

Andrea Leadsom: Yes.

Mr Anderson: I don't know what it means. I have worked with electricity generators. I don't know what you are talking about.

Andrea Leadsom: What it means is that we do want to move to a scenario where the generators pick up the full costs, so that means they are picking up the costs of connecting to the grid, of possibly over-burdening the grid that sometimes occurs, and possibly of the storage. If they are an intermittent technology that they could pay the costs of the storage that then enables them to become dispatchable and so on, so it takes into account a lot of factors. What I am saying is you cannot take a purist view because, with the example I just gave, you would find that the nth person to connect ends up paying for the next 1,000 connections because they happen to be the one that overloaded the system. It is a very complicated area but we are trying to move towards an environment where we fully understand the costs of each individual generator on the system and, as far as possible, we make it fair to them and to the one that comes after and the one that came before, so that they are paying the full costs of their own generation.

Mr Anderson: I would suggest that anybody listening to that last exchange who is thinking of going into this would be put off even more than what they already are by uncertainty.

Chair: I think we will leave that one there. Have you finished, David?

Mr Anderson: Yes.

Q473 Chris Law: I want to go back to the Smith commission and its recommendations back in late 2014, early 2015. One of the recommendations was for the Scottish Government to have a greater role and, in particular, formulation of energy policy. I want to know if you feel that that has been delivered in full and how that has been delivered in full.

Lord Dunlop: In terms of the Scotland Act I think we are delivering the Smith commission in full. I think there has been a widespread consensus that the Scotland Act is a fair reflection of what the Smith commission recommendations were. Indeed, I think the Scottish Parliament devolution committee pretty much said as much, so I think we are very satisfied that both in letter and spirit the Scotland Act delivers what the Smith commission intended.

Q474 Chris Law: I wish I could find agreement with you here but I am just looking at some of the statements. For example, the Scottish Government raised concerns in front of the Smith commission on the most recent Scotland Act, "which will deliver little in the way of significant powers to shape the renewable energy landscape". Just to go back to a letter in June Fergus Ewing wrote to yourself and Amber Rudd, "Your latest proposal cuts to the heart of a major Scottish interest and raises questions about the extent to which appropriate consideration of circumstances here is informing your thinking". I am going back to the point that this is about a better relationship between the Scottish and UK Governments. Do you think that has been delivered through the Smith commission and do you believe that has been delivered since the election last year?

Lord Dunlop: In terms of what the Smith commission said the Scotland Act, as I say, is an absolutely faithful interpretation of that, and that is what we have done. We have a GB wide energy market and I think it makes sense for energy policy in that way to remain reserved, but I think—as the Secretary of State for Scotland after the Holyrood election made absolutely clear—we now have a job of work to do to, through the Scotland Act, actually implement the provisions of the Scotland. Indeed, the energy provisions of the Scotland Act came into force on 23 May, so we are still in the early days of getting down into the specific implementation of the Act. I think both Governments, and I think this is very encouraging, are saying the same things: we want to improve the quality of collaboration, the working together, and I think you have seen it in all sorts of other areas whether it has been on City deals, which we have discussed in the past, reaching an agreement on the financial settlement for Scotland. We have demonstrated that we can work constructively together, and both what you heard last week in your evidence session, and what the Secretary of State has said, this is about resetting the relationship. Certainly I think the Scotland Office would play a big role, both directly engaging with Scottish Government Ministers but working with other Departments, like DECC, to ensure that the individual relationships between Whitehall Departments and Scottish Government Departments are as best as they can be.

Q475 Chris Law: One other point I want to ask. The Scottish Government has complained that the role of Scottish Ministers in relation to renewables policy has been progressively diminished over recent years, and they have had a particularly limited role in relation to contracts for difference contracts, the main mechanism by which future support will be provided. How would you respond to that complaint?

Lord Dunlop: As I say, I do not want to comment on what has happened in the past. Both Governments have said this is about resetting the relationship. We now have embedded in the Scotland Act a formal, consultative role for Scottish Government Ministers, in both the design and redesign of renewable schemes, and I think the task now is to put flesh on the bones of that, and we are absolutely determined to do that.

Q476 Chair: Can I test the arrangement that we have as a result of the Smith commission? Say this had not happened, there had not been this new announcement on renewable obligations, and we are in the new Smith environment, what would you expect to happen if the Minister went to the Scottish Government and said, "Listen, we are expecting to bring forward a manifesto commitment a year earlier. This is our real intention"? What sort of formal role and what could the Scottish Government then do to say, "Hold on a minute, we have this huge resource in Scotland. We have our road priorities. We want to make sure that you consider this properly". What could they do to have this stopped or reversed or have the Government think again?

Lord Dunlop: I think we are in the unusual position about consulting about manifesto commitments, and in my experience—

Chair: It is not the manifesto. It is bringing it in a year earlier, which was not in the manifesto. We know the manifesto commitment because I have heard it 20 times from the Minister. It is the thing about bring it forward a year earlier. Would a Scottish Government Minister be able to say, "No, we don't want this. This will have a massive impact on our sector and we want it stopped"?

Lord Dunlop: What I would say is, look, there is a consultative process and you consult a range of interested parties of whom the Scottish Government is a very important interested party, but energy policy remains reserved so, ultimately, it is—

Q477 Chair: So they are not worth anything then.

Lord Dunlop: No, I did not—

Chair: Tell us what is different about it.

Lord Dunlop: I think first it is embedded in law and, secondly, I think there is a commitment by both Governments to improve the quality of intergovernmental relations. There is a hard statutory aspect to it but then it is working to improve those relationships and—

Chair: There doesn't appear to be any real difference about what would have happened in the past, I have to say. Still, you have another opportunity to tell us what would be one little bit of difference about the new arrangement—

Lord Dunlop: What I would say is this is an Act that has only just come into law. The provisions that relate to energy have only come into effect on 23 May. We have a new Scottish Government, and I think what I am saying is that there is a clear commitment on the part of the UK Government to engage constructively with Scottish Government Ministers. I know my colleagues in DECC will approach it in that spirit as well and that is being reciprocated by everything that the Scottish Government is saying, and I think that is very encouraging and that is what we need to build upon.

Q478 Mr Chope: That last response is very encouraging because it is at odds with some of the tone of the questioning we have had this afternoon. I am reassured by that move to working together. Can I ask you some questions about the contracts for difference, because Andrea Leadsom said earlier that there is going to be an announcement later this year on the second round? I wonder if you have any more information as to exactly when that will be and the quantitative measure.

Andrea Leadsom: Yes. We have already announced that there will be three further auctions on contracts for difference this Parliament. The first one that will be for less established technologies, which includes offshore wind—so known as Pot 2—is planned for late 2016. At Budget we announced that the three auctions this Parliament would offer up to £730 million of annual support over 15 years, including £290 million of annual support available for the first auction. In addition to that, we have set out the cost reductions that offshore wind will need to achieve in order to secure that ongoing support so that the industry has longer term visibility. Support for offshore wind will be capped initially at £105 per megawatt hour for projects deploying from 2021-22 onwards, falling to £85 per megawatt hour from 2026. We believe that is going to help us in the UK to secure our position as the world's leader in offshore wind and set the industry on a long-term sustainable footing. Certainly, for me personally, I have a massive interest in making sure that the UK supply chain—including the Scottish supply chain, very much so—benefits from that new commitment to offshore wind. I see it as a huge opportunity. In fact, very exciting, there are now some of the fabricators based in Scotland and in the north of England who are bidding for making towers and jackets for offshore wind farms, which is exciting news. I think there is a lot of potential for the UK out of this new policy for offshore wind.

Q479 Mr Chope: So there will definitely be a future round of CfD for onshore wind?

Andrea Leadsom: For onshore wind, well, that is the Pot 1. That is the established technologies. Our manifesto commitment makes clear that there will not be subsidies for onshore wind. I think it is well known that developers came forward asking about a market stabilisation rate, but we have been focused on cutting the costs of the LCF, on making sure we secure bills, and obviously we are absolutely committed to no subsidies for onshore wind. We are still considering whether there is any way that we can help the industry but we have not made any decisions on that.

Q480 Mr Chope: Effectively, you are saying that there isn't going to be a future round of CfD for onshore wind? That is the logical conclusion from everything that has been said so far this afternoon.

Andrea Leadsom: We have not taken a decision on that as yet. Onshore wind is not the only thing in Pot 1 and we have not taken a final decision, so we will be—

Q481 Mr Chope: Would it not help to put people out of their misery and increase some certainty to make that announcement, so that people can concentrate on something else perhaps a bit more constructive?

Andrea Leadsom: As ever, with any subsidies' policy and any deployment policy, it is not just as easy as: just make any decision. As I say, we have taken up a huge amount of time and effort on, one, protecting consumers from over-deployment and, second, focusing on the priority that is this Pot 2 auction. That in itself is complicated, as you will appreciate, Mr Chope, the whole idea of doing everything we can. We have spent a lot of time working on the opportunity for the UK supply chain, on making sure that UK businesses are absolutely ready for that. We have been working with the developers to look at what more the Offshore Wind Industry Council can do to try to develop the UK supply chain and so on. It takes up a lot of departmental time, so we have chosen to prioritise that for the time being and then we will be making announcements, in due course, about what other technologies there will be included.

Q482 Mr Chope: The Government established the levy control framework to set limits on support for low carbon energy up to 2021. When will the limits be set for the period after 2021?

Andrea Leadsom: Obviously the CfD auctions for offshore wind that we have announced take us beyond 2021, so there is a commitment there, but it is our intention that I believe at autumn statement we will be setting out—I am just going to check that; yes, that is the plan—our plans for the LCF auction beyond 2021.

Q483 Mr Chope: That was originally promised in the 2016 Budget, the Budget that we had earlier this year. It is now definitely going to be in the autumn statement?

Andrea Leadsom: Therein lies the difficulty with ever saying, "We will do this on this date", because obviously we cannot know what the future holds by definition, since none of us has a crystal ball. I would say that that is our plan. Obviously, if events should prevent that from being announced then or if it should be incomplete, then I am sure that the Committee will want to know the reason why. We certainly did announce at Budget that we would be offering those three auctions for CfDs in this Parliament. We also announced that it is our intention to give more information on the longer term LCF at autumn statement.

Q484 Mr Chope: Last week the Committee was told that the maximum level for low carbon electricity is set essentially by the Treasury, and that you have to work with what you are given by the Treasury. Would that be a fair thing to say and that basically the Treasury is in the driving seat on these issues?

Andrea Leadsom: No, I would not say so. The interesting thing is that the levy control framework is effectively a levy on consumer bills, as opposed to a levy on the taxpayer. It is unusual, in the sense that it is not directly an exchequer paid amount of money. Nevertheless, as you would expect, because it does impact on consumers and businesses, the Treasury agreed with DECC back in the day what the levy control framework budget would be. To that extent—as with all commitments to public spending, regardless of whether it is taxpayers' money or bill payers' money—the Treasury keeps a close handle on it, but I think it is entirely right to say that nowhere, whether it was in public spending terms where we have discretion over it, or in bill payer spending terms where we have discretion over it, is it right to simply say, "Oh, well, aren't we doing well. Let's just keep spending and spending and spending". So, when we discovered in March 2015 that we were facing a significant overspend in the LCF. We knew immediately then that we needed to take steps to get it back under control, and that is what we have been doing.

Q485 Mr Chope: Thank you. Can I ask you about one of the things that I think came out in the earlier questions? There is a lot of misunderstanding about the connection between the generators of this renewable energy and the people who are responsible for building the grid and organising the transmission. At the moment there is an incentive, under the arrangements for devolution for the Scottish Government, to allow a lot more onshore generation when those onshore generators do not have to pay the costs of the transmission, because Scotland is already effectively self-sufficient in renewables. Is there any way in which the Government could look at trying to change the way in which these bills are calculated, so that it is more transparent to the consumer that it is not just including the costs for the Contracts for Difference for the generators but it also includes the consequential cost changes for the transmission?

Andrea Leadsom: Yes. It is an important point and I am conscious that Mr Anderson was not very happy with my answer. What I can tell you, Mr Chope, is that transmission network costs account for about 6% of the domestic electricity bill and then distribution network costs account for approximately 18% of the domestic electricity bill, both are charged cost reflectively. I know that there have been a lot of discussions where a number of people in Scotland would like to see a national network charge, but the problem with that is that that would weaken the local accountability of each network company to its customers and it would risk an overall increase in network costs. Also, a national charge would mean lower network charges in some areas and increases in others. Specifically for Scotland it would mean 1.8 million households would face higher bills and 700,000 would see reductions, so there are winners and losers and our policy is to try to ensure that we are cost reflective. The charging regime is of course a matter for Ofgem, and we believe that cost reflection ensures the economically efficient use of the network and it limits overall costs to the consumer. It is certainly applied on a consistent basis, which is in line with EU rules. The higher charges for generators in Scotland reflect the actual costs that those generators impose on transmission networks, but charges for Scottish generators are reducing as part of the outcome of Ofgem's Project TransmiT.

It is a bit more detailed. I am reading from my brief here. I understand the point you are making but I cannot give any further detail on exactly what the impact would be for the nth generator of a totally fully costed charge to them, because it depends on the example. That is the problem.

Q486 Mr Chope: Some people are making political points on the cost of spending money on, for example, new nuclear, which is a baseload. They are trying to compare that directly with the costs of generating intermittent renewables. Yet the different transmission costs regimes do not seem to be reflected in the comparative data. We don't seem to be comparing like with like. When people start saying, "Well, you are getting this onshore wind in Scotland, why don't we have more of that onshore wind in Scotland because it is going to be a lot cheaper than producing a new baseload at Hinkley?"

Andrea Leadsom: Yes. Hinkley is a very good case in point because obviously that requires a big transmission connection. It is why the Department has been looking at whole system cost to try to get a good handle on that. But you are exactly right, Mr Chope, to say that you simply cannot compare onshore wind farms spread around remote parts of Scotland with Hinkley Point C, which will be baseload and is dispatchable and will provide a core part of electricity generation. Obviously, you can look entirely at the total costs of Hinkley Point C and we know that in 2025 the CfD will mean that it will cost £92.50 per megawatt hour, as against, as things stand, a maximum price of £105 a megawatt hour for offshore wind. As thing stand, you cannot say, "This particular project has this much of transmission cost versus this one with that much" unless you look case by case. So that is where the Department is trying to get a much better handle, much more insightful information on whole system costs so that we can exactly look at that very point and be able to compare like with like more easily.

Q487 Mr Chope: Do you ever dream of a scenario where we will be able to have an energy policy that is not distorted by subsidies?

Andrea Leadsom: Totally. Subsidies is one thing because, as I have mentioned, the innovation, the research and development—just looking at the small modular reactors going forward, that could be fantastic for the UK. What you have to look at with all these things is obviously the supply chain, the prospects for jobs and growth and where they might be. There are all sorts of factors to take into account and, certainly, with renewables, the subsidies have been necessary to get them off the ground. For example, solar is cheaper than onshore wind, so if you were simply saying, "We are only going to go for the cheapest thing" then you would end up with loads and loads of solar. That might work less well for Scotland where it may be less sunny and less windy. I don't wish to cast aspersions. I mean less sunny and more windy, sorry. That might be a reasonable thing to say, with notable exceptions.

That is why we seek a diverse range of energy sources. We don't want all our eggs in one basket and certainly, even if we were to max out on intermittent renewables, you would still need nuclear for baseload or a massive ramping up of gas, or you would need lots of coal because you would need that baseload. Obviously our policy choice is to meet our climate change objectives and to see that low carbon clean energy future for all sorts of reasons.

Q488 Chair: What seems to be in that answer, it seems to me, is there is always a reason found that it is all right to spend on nuclear because it is baseload, because it is this and it supplies this to the grid, but then there is a difficulty with some of the renewables because they are away from market and there are transmission costs involved. I am not surprised that you read from that script that you have about transmission costs, because we had National Grid in front of this Committee last week and transmission costs are a total and utter mess, which is almost indecipherable. I think all of us on this Committee had a great deal of difficulty to try to understand how all this all worked. One of the things that came out of this is that transmission costs in Scotland are significantly higher than practically any other part of the United Kingdom. This seems to be the dominant feature of nearly all the transmission charging regimes. Would that be right?

Andrea Leadsom: I am going to have to refer to my brief again, but I think the interesting point is that generators pay less than 20% of transmission charges with most being paid by the electricity supply companies, also on a cost reflective basis. This means that the majority of transmission charges are recovered through consumers in areas of highest demand, namely in England and Wales. The point is that it means that intermittent generators under Ofgem's Project TransmiT—which was implemented in April 2016, so quite recently—that will make changes will make changes to the charging methodology to take account of a generator's actual load as well as its connection capacity. In other words the amount it is using, the system. That revised approach will mean that intermittent generators pay less in future than a baseload generator in the same location and that should benefit renewables.

Chair: I wish I could say that helps me understand the issue but I think we are even more bemused, but Maggie Throup has a question.

Q489 Maggie Throup: Sorry, I did not catch the Chairman's eye quite quickly enough a few minutes ago, so I want to bring you back to the end of Chris Law's questions. Given that you have the ambition for closer working relationships between the UK Government and the Scottish Government, as a result of the Smith commission, and taking into consideration that energy is a reserved matter, so you have to consider everybody across the whole of the UK, and also adding to that that people we have taken evidence from feel that the renewables industry in Scotland has been unduly penalised, if we were to bring you back in one or two years' time do you think that picture would have changed?

Lord Dunlop: As I say, I hope that the quality of the exchanges between the two Governments would have been good. We have moved into a period where we have had—dare I say it—lots of political campaigns and elections going on and we now have four years where we can focus on implementing the provisions of the Scotland Act. I can only reiterate what I have said. I think there is a willingness on both sides to develop a good and constructive relationship. To answer your question, I hope we would come back in a year's time and we would be able to show that we have made good progress on that. I think we can already show, over the last period, good examples of the two Governments working very constructively together.

Q490 Maggie Throup: Specifically on the energy policy side, what are your thoughts on that?

Andrea Leadsom: I have really enjoyed working with Fergus Ewing. I am looking forward to working with his successor. We have had a very big focus in recent months—and I think quite rightly—on the oil and gas situation. I know that is not for this Committee hearing, but we have worked very closely together and we have been on exactly the same page in trying to do everything possible to support the oil and gas sector. Of course we have not agreed on the manifesto policy to close the RO to wind a year early but, nevertheless, it has been a collaborative process. We have had plenty of discussions about it. I have been to Scotland a number of times and have met with Scottish members of Government there. I have found it all to be a very good experience, so I can only say from my own point of view that I am keen and willing to work even more closely with the Scottish Government.

Q491 Kirsty Blackman: In terms of the changes to support for the renewables sector, how does that fit with the UK's obligation to reduce carbon emissions?

Andrea Leadsom: As I have explained, we have already exceeded the deployment that we budgeted for by 2020. We expected to generate 30% of our electricity from renewables by 2020. In fact, we are now on target for 35%. As things stand, even with the focus on keeping costs down for consumers, we are still exceeding our own renewables targets, so I think we are in a very good place as far as the carbon reductions are concerned. You will be aware that the UK achieved a 38% carbon emissions reduction versus 1990 by last year, so we are in a good place, in a strong place.

Q492 Kirsty Blackman: In terms of reducing carbon emissions and looking at the whole system, how much consideration do you take of Scotland's enhanced role in terms of renewables? Would you have more wind? We do have almost the same amount of sun—as was told to us last week—so that the PV, the photovoltaic panels generate almost as much. It is pretty close. In terms of our unique ability to do this, because we have more rural areas and we have a sparser population, how much of that do you take into account when you are designing a whole system or redesigning a whole system for the future?

Andrea Leadsom: What I would say is that the proof of the pudding is in the eating. A disproportionate amount of all subsidies for renewables have gone to Scotland, precisely because Scotland has those fantastic renewable resources. With the next round on the CfD auction for offshore wind I expect to see Scottish projects bidding into that. We don't direct subsidies. We are looking for the most productive technologies and we are looking for them to stand on their own two feet subsidy free as soon as possible, but we are not focusing the geographic location of them because this is about generating low carbon electricity at the cheapest price. The fact that Scotland has so much potential means it certainly does far more than its share if you are comparing it per head of population.

Q493 Margaret Ferrier: The UK Government is a member of the Scottish Island Renewables Delivery Forum, but there has been a bit of a disappointing lack of progress on improving interconnections between the mainland and the Scottish islands. In fact, some of the challenges are grid constraints. We need new cables. It is regulated that we have those. Two of the main issues are that there are inadequate connectors between the islands and the mainland. We have one situation where, if there is excess electricity in the islands, how do we get it to the mainland? Then you have the islands receive electricity during periods of peak use if sufficient electricity isn't generated locally. So there seems to be two issues on the islands and in March 2016 the then Scottish Minister for Business, Innovation and Energy and the islands council leaders wrote to yourself, I believe, urging your Department to make progress on supporting grid connections to the Scottish islands. We were told last week by Mr Paul Wheelhouse that he had not yet received a reply to that letter. Can you confirm that?

Andrea Leadsom: I am sorry, Ms Ferrier, I cannot confirm whether someone has written a particular letter or not. I cannot I am afraid, but I will certainly be able to get back to you on that. I don't have that information on me.

I attended the remote highlands and islands meeting that took place in September 2015, and we had a very positive discussion. I was very interested to hear about the potential for electricity generation. You will be aware that there have been a number of discussions with the EU Commission and the Government on the pre-notification for whether or not the remote highlands and islands could be part of the Pot 2 technologies. That is subject to our final decision-making on the Pot 2 for the CfD Q4. All of those issues would then be swept up with those policy decisions.

Q494 Margaret Ferrier: I will come to that one in a moment. When do you think an agreement will be set around actions and timescales to facilitate connection between the Scottish islands and the mainland? When will they be connected to the grid? That is like the bottom line that the islands want to know because, at the moment, Shetland is completely isolated. There are no links to the GB grid at all. Both Orkney and the Western Isles have to be connected. The Western Isles, connected to Skye. Kirkwall has an ageing diesel plant capacity and so does the Shetlands, so it is not going to last forever and they are generating all this energy but they don't have the connection to the grid, so their big question is: when is that going to happen?

Andrea Leadsom: I am sorry not to be able to give you a direct answer but that is, of course, Ofgem's responsibility to determine the priorities for grid connections and I am afraid I do not have a brief on that here today. That wasn't something I was told might come up in the discussion but, again, I can look into that and come back to you if that is helpful.

Q495 Margaret Ferrier: Okay. That brings me on to my next question then that Ofgem has said that if the generation is coming on and the link is needed they can move forward, but it depends on whether the Government is going to support additional renewable electricity capacity on the islands. It is all to do with the future rounds of contracts for difference. At the end of the day, what support levels are you going to give them in the future as to this CfD?

Andrea Leadsom: Obviously the CfD will be a competitive auction and where we are right now is that we are finalising our decisions on what will be the less established technologies and how that auction in Q4 will work. That is something that we will be announcing in the near future.

Q496 Margaret Ferrier: Just another question, Chair. We have heard that the cost of transmitting electricity from areas in Scotland, like the Scottish islands that are rich in natural resources, are prohibitively high. You mentioned earlier about transmission charges and the local authorities in the Outer Hebrides made a statement and said that transmission charges for exporting renewable electricity from the Outer Hebrides to the National Grid will be up to seven times higher than transmission charges in the north of Scotland on the mainland and, with no support from the Government, then that will be the end of it and there will be no renewable energy industry. Maybe you can comment on that?

Andrea Leadsom: I have to say I am sorry I am not aware of that specific report that you are referring to there. I can say Ofgem published analysis in October 2015. That showed that a typical domestic consumer in Scotland paid around £21 a year for transmission charges in 2015-16, versus a domestic consumer in the south of England paying £37. I think it goes back to the point I was making previously, that the share of the transmission cost varies and there is a weighting to the location, but I am afraid I do not have a copy of the report that you are referring to there.

Q497 Margaret Ferrier: Chair, just one last question. Given the Government is already interfering in the electricity market by deciding how much money goes to which technologies, and the charges paid by conventional power plants, is there a case for intervening to continue support for the renewables in areas where they are a key industry and an important part of the local economy, which they are in the Scottish islands especially? When we had a visit to Orkney we heard how important the renewable energy industry was for them, not just for businesses but for local households who can have their own wind turbine. It is very important that they continue to have a good renewable energy industry up there.

Andrea Leadsom: Yes, and I completely understand. I have lots of meetings with MPs, colleagues from all around the country, who would all like to prioritise investment in their own area and I totally understand that. It is absolutely right to speak up for your own constituency, but what we do because of course there is a bill impact on consumers, is we try to make sure that these are competitively bid so that we are getting the best price for consumers, the best value for money, rather than treating it as an instrument of social policy. I think there are subsidies from Government. There is the hydro benefit scheme and there are other policies that seek to address issues of, for example, fuel poverty and also fairness. But in terms of the actual subsidies for generation, those do need to be competed on a level playing field and, as far as possible, to be technology neutral.

Q498 Margaret Ferrier: I think they had said that by generating their own electricity and heat they can reduce their energy bills and what you have mentioned a couple of times is that indirectly it is a mechanism to combat fuel poverty.

Andrea Leadsom: Yes. I completely understand the point. Again in the area of investment and new research and so on, there are all sorts of district heat schemes, combined heat and power schemes and so on, that can access subsidies where they are specifically focused on communities. There are possibilities but certainly the CfD, the contracts for difference, auctions those are competitive auctions for the most effective provider at the lowest cost to the bill consumer.

Q499 Chair: Just on that then, the Scottish islands may be allocated special funding in future rounds of CfD. That would require the UK Government to make a state aid pre-notification to the European Commission.

Andrea Leadsom: Yes.

Q500 Chair: I understand that you have done that, and this was back on 14 January 2015. Have you received a reply and, if not, what are you doing to follow it up?

Andrea Leadsom: We have had a number of discussions on the pre-notification side of things and, once we have made our policy decisions, we will be in a position to finalise arrangements with the EU Commission, but it does require that we make our final policy decisions first.

Q501 Chair: It will require you to make a final policy decision about CfD before you are able to get a reply from the European Commission.

Andrea Leadsom: That is right, about the CfD for Q4, exactly.

Chair: Thank you for that.

Q502 Kirsty Blackman: In terms of climate change and emission targets, we have had some criticism that the Government is not looking far enough ahead. That they have very good targets up to 2020 but there are no targets in place for after that. How do you react to that and what are you going to have in place post 2020?

Andrea Leadsom: It is a perfectly valid question and I think our systems are legally binding processes that we have on ourselves, so very useful in the sense that they do create events by which we have to have decided certain things. You will be aware that our carbon budgets, numbers 1, 2 and 3 are all on target to be met or exceeded. Carbon budget 4, which I think is 2023 to 2028 for delivery, there are still some areas that we need to finalise policy for. Here we are in 2016 needing to make some further policy decisions for the 2023 to 2028 period and we will be making announcements on how we meet the carbon budget 5, which is 2028 to 2032 in due course. I think that the process is rather helpful because it does focus our minds. We are very confident that we have the plans in place and the right kind of discussions in place to be able to meet those climate change targets.

Q503 Kirsty Blackman: Just on that in terms of the lead time, we have heard about some developers working to a seven year lead time and it has been suggested that you should have at least a 10 year lead time for some of the developments that are happening. For example, offshore wind requires a very long lead time in order for that to happen. In terms of future carbon budgets and looking at future indications, is it possible to speed this up a little bit? I know that you are talking about 2023 to 2028 and making policy for that, but that needs to be done now in order for companies to know where to invest.

Andrea Leadsom: Yes. We are doing that now. In the course of this year we are working very hard on that. I completely take your point and I totally understand. All of us would love to let's just make all decisions now and let's just announce them and let's just get on with it, but of course the problem is then you make bad decisions. These are very, very complicated. There are trade offs between different technologies, between whether you go for transport targets versus heat targets versus power generation targets versus energy efficiency targets versus a technology we don't yet know about targets, so it is very complicated. I absolutely understand and I share the decision to flick them on and get a move on. Sometimes I totally understand that. At the same time I do think that we are in a good place, vis-à-vis our absolutely focus on meeting those targets and I am very confident that we will be able to do that.

Q504 Chair: I am aware that Lord Dunlop has to go. I wonder, Minister, we only have a few more questions, would you be happy just to—

Andrea Leadsom: Yes, of course.

Chair: There are no time constraints on you to have to go? Lord Dunlop, I know it is getting close to 4.30 pm and oil and gas is waiting.

Lord Dunlop: Thank you. I must go. It is a very important what we are doing in the oil and gas field, but I am very grateful for this session.

Chair: We are very grateful to you for turning up. Thank you. Kirsty.

Q505 Kirsty Blackman: I am happy to forego one of my questions, Chair, but if I can ask one last one from me. In terms of carbon capture and storage, the UK Government plan to invest £1 billion in carbon capture and storage and then pull the plug. The Committee on Climate Change has said that CCS is one of the key infrastructure investments that need to occur. Do you agree with that?

Andrea Leadsom: I certainly think that CCS will be a part of our future. It is absolutely a part of our future. There is a lot of investment already going on. It is very clear that the competition project was a spending review decision, taken in the context of all of the value for taxpayers' money decisions that are taken at a spending review and that one competition project was one aspect of what we are doing on CCS. It is still the case that there are investments going on. For example, we have invested over £130 million in CCS research and development since 2011, and we are still working with a number of different projects on how they can be made cost effective and contribute to the future for CCS.

There is a big "but" here, which is that CCS is still extremely expensive. A lot of countries in the world that are making progress with CCS are looking at carbon reuse, for example. You will be aware, Ms Blackman, that the OGA will be looking at their policy for reuse of CO_2. That is a very important part of the work that needs to take place. You will also be aware that Lord Oxburgh has a CCS advisory committee that we are looking forward to receiving a report from. We may have received it. It should be any time, shouldn't it?

Tom Luff: Any time now, yes.

Andrea Leadsom: I have not seen it yet so I am not sure whether we have it in the Department or not but we are certainly looking forward to seeing that and, of course, to making announcements on our ongoing strategy for CCS during this year.

Q506 Kirsty Blackman: Two more questions specifically on CCS. First, how much notice did DECC have of the spending review decision?

Andrea Leadsom: I am trying to remember. The spending review discussions go on for quite some time and there is an iterative process. In those ministerial discussions you are aware that there is a question mark hanging over this one but that one is fine. Then it is an iterative process. Do you know the answer to that, Tom?

Tom Luff: I do not know the answer, no, but it is absolutely right, there are options on the table. Then we go backwards and forwards and finally the decision is made. I do not know how long it was that we had notice of that.

Q507 Kirsty Blackman: The last question on CCS. You have mentioned that there are still investments taking place now. I am less than clear that investors will be keen to invest after what happened with CCS and the short notice that they were given with the money being pulled. Does gas-fired electricity generation stack up without CCS, long-term?

Andrea Leadsom: We certainly see gas as a bridge to our future, cleaner energy. For example, at the moment roughly we are still using about 25% to 28% coal for electricity generation, about 18% nuclear and up to 24% or 25% renewables. Gas plays a big part. We have been clear that we want to get coal off the system by 2025. That does require that we invest in new gas.

We have been very clear that we see new nuclear as a part of that as well. Our nuclear power stations—which, as I say, currently generate between 16% and 18% of electricity day in, day out—are all due to close finally by the late 2020s. That is a big hole. We hope that new nuclear is going to fill that gap itself but equally it will be important that we have new gas.

In answer to your question, we see gas as a bridge and we believe we will continue to need it for some decades to come but, as you will be aware, all new gas over a certain size is required to be fitted and CCS-ready.

Q508 Mr Anderson: From the day DECC came into being, we have heard time and time and time again—under both Governments, or in fact under three different types of government if you include the coalition—that CCS was still there for us. Yet the people in the industry are throwing their hands up in despair because of how long we have taken. Are they still going to do it or just say they are not going to do it? At the minute, people involved in CCS are just completely lost with where we are. Promises have been made time and time and time again. Things have gone up, come down, gone back down again and come up again. We are just lagging behind the field, Minister. You mentioned £130 million since 2011. It is a pittance, frankly.

Andrea Leadsom: I would not like to write that cheque personally but maybe that is just a—

Mr Anderson: You probably could better than they would. For the industry, £130 million is not going to do anything to give it the confidence it needs to get started and get it done.

Andrea Leadsom: The £130 million is only in CCS research and development. There has been a far greater spend than that over that period even though, as you say, that is trivial, which is a slightly odd thing to say.

I have attended three CCS Association meetings, I think, including an emergency one straight after the spending review announcements, precisely to try to answer questions, to move things on and to stay in close contact with the industry association. I do completely understand the disappointment but, as I say, at spending reviews it is vital that we do look at the value for taxpayers' money. That was the situation with the competition project but there are lots of other initiatives that are still ongoing where the Government continue to support the industry.

Q509 Mr Anderson: Do you have a plan for the energy mix going forward? If you do, what is it? Give us it in two, three or four-year tranches. What will the mix be? At the minute, we are burning no deep-mine coal in Britain because they closed that industry. We are burning some open-cast coal. We are buying 40, 50 million tonnes a year from some of the most disreputable regimes in the world. We are buying gas. What is the plan going forward for the energy mix?

Andrea Leadsom: I have been very clear what we want is a diverse mix of energy. That will include gas, nuclear and renewables. We hope that it will include storage and small modular reactors. We have this energy trilemma, keeping the lights on, keeping the cost down and moving to a clean energy future. As I have also said, there is so much innovation and there is so many improvements, way beyond expectations, in things like load factors, the reliability and the productivity of different technologies, that you cannot have a central plan for having this much of this and that much of that.

What we are trying to do is to encourage that transition to a lower carbon, green energy future while keeping focused on the costs and trying to promote those technologies that have not yet reached that lower cost trajectory. We do not have a bottom-up plan for what we want to see but what we are trying to do is to support the development of a broad mix of energy sources.

Q510 Mr Anderson: I would suggest the discussion from this afternoon shows that is not working. We started with a discussion about the uncertainty in the market around renewables and wind generation in Scotland, and CCS. I am just quoting the facts.

Andrea Leadsom: What you have just said is not true. As we have just heard, Scotland has made the announcement today that it has met its emissions reductions target six years early. The UK stands in line to beat our own electricity generation targets of 30% by 2020 and to exceed that to 35% by 2020.

Q511 Chair: It sounds to me a little bit like, Minister, with all due respect, this has been a massive success. We have done better than expected.

Andrea Leadsom: Yes, absolutely.

Q512 Chair: What you want to do is now put the brakes on it. We are doing something that is not just productive and useful but is also doing some good in terms of tackling our climate change targets, and you want to apply the brakes to all this, something that we are doing particularly well. Scotland is among the world-beaters when it comes to this. Surely, instead of putting the brakes on, we should be encouraging it further.

Andrea Leadsom: No. The constant theme of this meeting is that we budget. We have exceeded the budget and we have exceeded the deployment. Either you say, "That doesn't matter, let us just carry on spending bill payers' money," or you accept that you need to prioritise keeping the cost down. Our energy trilemma is exactly that. We are decarbonising at the lowest cost to consumers while keeping the lights on.

It got to the point where we were not focusing enough on the lowest cost to consumers because of the amazing success of the deployment and of the load factors, largely, as well as wholesale prices. As a result of that, we have had to rebalance the system to make sure that we are not burdening the bill payer too heavily. We had a plan; we have exceeded the plan. That is great for Scotland and it is great for the United Kingdom but we have to focus on the cost to consumers.

Q513 Chair: We know that there is an impact on confidence. I think you accept that there does seem to be a bit more reticence and anxiety among those prepared to invest in renewable technology. Would that be right? Is it something you can test? I am referring to the report that was done by the Climate Change Committee that suggested that there are issues to do with investor confidence in the renewable energy sector.

Andrea Leadsom: No, I do not, in fact. It was very clear that we were going to close the RO a year early.

Q514 Chair: You do not accept it at all? Even with what the Energy and Climate Change Committee said and the other evidence we have presented to you, you believe there is no issue at all with investor confidence in the renewable sector?

Andrea Leadsom: I entirely accept what investors say as being their views and reflecting their views. If they say that there is a lack of confidence, then I entirely accept what they say. My point is more that I do not accept that this was unheralded and unpredictable and, therefore, that it should have created that lack of confidence with investors. Of course I accept it if investors say that they are not confident but I do not think they should. It is a massive UK success story.

Nearly £52 billion has been invested in renewables since 2010. The annual investment has more than doubled in the last five years with an average of £9 billion each year. 2015 was another record year with £13 billion invested in renewables. We have more than trebled our renewable electricity capacity since 2010. That is not a disaster story, that is a massive success story, and I say again there is a balance between the success on the one hand and the cost to consumers on the other.

Q515 Chair: What this Committee has been asked to consider and the thing that we are trying to do over the course of this inquiry is have a look at where the trends are going, the recent announcements and the impact this has. I think you have conceded that there is an impact on confidence in the sector. What I would like to ask you—I know that Mr Anderson and Ms Blackman want to come in with a question too—is what you are doing to try to increase confidence in the sector. What are you doing to incentivise it so this amazing success story that you have presented and that this Committee agrees with can continue and do even better?

Andrea Leadsom: A lot. The announcement of the CfD auctions. We have been very clear. We have given very strong visibility on the potential for offshore wind if the cost trajectory reductions are met. We have given strong, clear indications about the renewable heat incentive plans. We have also, with the feed-in tariffs review, given very clear quarterly caps, digressions and a total cap on the whole cost of the project. It is very clear. There is a great deal of transparency for people wanting to bring forward projects. That was very deliberate, to try to address the issue of investor uncertainty.

I would say that for me, as someone who has spent many years in finance, including in project finance, a purely demand-driven scheme does not give investors confidence because when it is demand-driven, they are all looking over their shoulder to see who else is taking advantage of it. They know that these things are not a bottomless pit and the day comes, if you have a demand-driven system, when you are going to have to say, “Right, enough is enough”. That is exactly what we had to do to protect consumers.

My view is that what we are announcing now, which is very clear with parameters, with caps and so on, is much better for investors. We are now giving investors a great deal more certainty.

Chair: We have a question from Mr Anderson, from Ms Blackman and then a last one from Ms Ferrier. Then I promise to let you go, Minister. You have been very patient with us. Thank you.

Q516 Kirsty Blackman: If I could come back to cost, you regularly mention cost to consumers and I understand that. We do not yet have whole-system costs. We do not, therefore, know which is more expensive because we can’t compare apples with pears, we are told, but the Government is absolutely sure that onshore wind is burdening consumers more than other methods of electricity generation.

Andrea Leadsom: I do not agree with any of what you have said there, I am afraid, Ms Blackman.

Q517 Kirsty Blackman: You do have costs?

Andrea Leadsom: The whole-system cost is trying to look at the full cost of generation, not the full cost to consumers. We obviously do know what the cost to consumers is of an average dual-fuel bill. We do know that the total of subsidies adds about £45 to the average consumer bill. We do know those things. The whole-system cost is something entirely different, the cost of generation to the entire system, so that is simply not true.

Also, it is incredibly important that we keep the costs down to consumers. We are trying to make the cost to consumers more certain but also to avoid the risk that they can just carry on ballooning. That has been what we have sought to do over the last year. That is very much for the sake of Scottish consumers, as well as for English and Welsh consumers.

I have sat through a number of debates with colleagues from the Scottish National Party on fuel poverty in Scotland and across the United Kingdom, and people have quite rightly said fuel poverty is a big issue and it is not right for us to simply say, “This is all going so well, let’s keep spending your money”. That would not be the right thing to do. I do hope that you can agree with that.

Q518 Kirsty Blackman: We are not denying that fuel poverty is a huge issue. As you say, it has been brought up a number of times. The problem that we have is that you are not able to provide us with the evidence that shows the differential costs of the different types of electricity generation to the consumer. You are talking about the fact that Hinkley Point C cannot possibly be compared to wind generation because of the baseload. Provide us with the information that proves that onshore wind is burdening consumers more than Hinkley Point C is. Give us that information.

Andrea Leadsom: That, again, would not be the correct way to look at it.

Chair: I can sense Ms Blackman's frustration.

Andrea Leadsom: Yes, but that would not be the correct way to look at it because, as I am trying to explain, we need a diverse source of energy generation. You cannot compare an onshore wind with a nuclear power station because an onshore wind farm is only producing electricity when the wind is blowing, whereas a nuclear power station will provide electricity at all times of night and day. With an onshore wind farm, you then need to have a gas or a coal-fired power station or a nuclear power station as back-up for when the wind is not blowing. The problem is you just cannot directly compare the cost to a consumer of simply an onshore wind farm subsidy, excluding the cost for linking it to the grid, with a nuclear power station, excluding the cost of connecting it to the grid, and the back-up you need for that intermittent generation.

Q519 Kirsty Blackman: How can the UK Government say that onshore wind is having a negative impact on consumers?

Andrea Leadsom: We do not say that. What we say is we have more than met the budget that we wanted to achieve for onshore wind. As I said, we were targeting 11 gigawatts to 13 gigawatts. We believe we will be at around 12.5 gigawatts. We have met the budget for what we were prepared to pay for onshore wind. We have not met the budget for what we are prepared to pay for nuclear power stations that replace nuclear power stations that are coming off the grid.

The point about our energy policy is it needs to be a diverse mix of energy sources and, as I have very clearly said, that includes onshore wind, offshore wind, solar, nuclear and gas. We want to take coal off the system by 2025. It includes a wide range of energy sources. It is not that we are saying we do not like wind any more. We have a huge amount of wind. If we did not, then we would want to continue to promote wind. We do have a huge amount of onshore wind and we believe now that it is right that we turn our attention to those technologies where potentially the electricity generation—the value for the bill payer—is better, such as offshore wind, and where we think that the cost trajectory can significantly come down, providing real value for the bill payer.

Q520 Chair: Minister, will Hinkley C and nuclear be included in the levy control framework? If it will be included within the levy control framework targets, will that have an impact on the rest of money that is available to renewables?

Andrea Leadsom: We will be making announcements on the post-2020 LCF in the fullness of time.

Q521 Chair: In your view, should it be included?

Andrea Leadsom: I have not as yet looked carefully at the pros and cons of inclusion in the LCF.

Q522 Chair: What is your gut feeling about it?

Andrea Leadsom: I am not just going to give you an answer off the top of my head that I have not thought through.

Q523 Chair: It would have a huge impact on what is available for renewables if Hinkley C and new nuclear is included in the levy control framework. Is that right?

Andrea Leadsom: Are you asking me if it would have an impact? Obviously whatever you include in the levy control framework would have an impact, by definition.

Q524 Margaret Ferrier: Before I start, we may need to wait until after the EU referendum to ask this question to see if Mr Chope gets his wish, but both Austria and Sweden generate over 60% of their electricity from renewables. The Scottish Government Committee for Economy, Energy and Tourism heard recently from Mike Calviou from the National Grid, who said that there are clearly opportunities to get benefits through efficient trading between European countries. Have the UK Government looked at lessons that could be learned from countries like Austria and Sweden?

Andrea Leadsom: Absolutely. You will be aware, Ms Ferrier, that we are very keen on interconnection and there is a project that is proposed between Norway and Scotland. That is NorthConnect, Norway to Peterhead, and that is a 1.4 gigawatt interconnector project. Obviously the idea of interconnectors is that the electricity flows in the direction where the price is greater and, as things stand, Norwegian electricity is cheaper than GB electricity so we would expect that the flows would be this way. Obviously having access to other countries' electricity is a good thing and Ofgem and National Grid are keen to continue to support further interconnection projects.

Again, there is always a balance to be had because those are commercial projects. You need to be secure of your own energy supplies. It is certainly an absolutely key issue for the United Kingdom Government. Energy security is not negotiable but there is certainly a case for more interconnection. On a case-by-case basis, the potential benefits to consumers are weighed up and projects do come forward.

Q525 Margaret Ferrier: How would that work if the UK was not part of the European Union?

Andrea Leadsom: They are commercial projects. Norway is not a part of the European Union either so that project would not be subject to whether we were in or out of the EU, but all of the interconnectors that currently exist and any future ones would also be commercial transactions. It is like saying, "Would we be able to go on holiday in the United States if we left the EU?" Of course.

Q526 Chair: You did not think we would get to the end of the session without an EU referendum question.

Andrea Leadsom: I am so glad we did not manage it.

Q527 Chair: Minister, we are very grateful for your time. You waited patiently and you answered all our questions. If there is anything—I am sure civil servants have been taking a note—that has not been asked properly, if you could get in touch with the Committee we would be very grateful.

Andrea Leadsom: Of course.

Chair: Thank you ever so much for your attendance.

Andrea Leadsom: Thank you very much.