House of Commons

Business, Energy and Industrial Strategy Committee

Oral evidence: Work of the Department 2016-17, HC 566

Wednesday 14 December 2016

Ordered by the House of Commons to be published on 16 December 2016.

Watch the meeting

Members present: Mr Iain Wright (Chair); Richard Fuller; Peter Kyle; Amanda Milling; Albert Owen; Amanda Solloway; Michelle Thomson; Craig Tracey; Anna Turley; Chris White

Questions 80-149

Witnesses

I. Rt Hon Greg Clark MP, Secretary of State, Jeremy Pocklington, Director General, Energy and Security, Gareth Davies, Director General, Business and Science, Department for Business, Energy and Industrial Strategy.

Examination of Witnesses

Rt Hon Greg Clark MP, Jeremy Pocklington and Gareth Davies.

Q80 **Chair:** Secretary of State, good afternoon. Thank you for coming. It is your first attendance at our Select Committee. You are very welcome. For the purposes of the record, Secretary of State, could you introduce your colleagues who are with you?

Greg Clark: I will indeed. To my right is Gareth Davies, who is the Director General in my Department responsible for science and business. On my left is Jeremy Pocklington, who is the Director General responsible for energy.

Q81 **Chair:** Happy birthday; your Department is five months old today.

Greg Clark: Well spotted.

Chair: In that time, you have, no doubt, set clear priorities for the Department and key metrics as to how you are to evaluate success or failure. What are those priorities?

Greg Clark: The priorities for the Department are, first, as the new name of the Department implies, to develop with industry, consumer groups and other groups in the country a long-term industrial strategy for the country; it is very important that we should do that. The second thing is to be a Department that is responsive and effective in maximising the opportunities for the UK in particular sectors, with particular investors, and to be very active in that. The third is to promote and maintain high standards of governance, of rights and behaviour with respect to employees and people in the workforce. Also extremely important is to make sure that we continue our progress towards a low-carbon economy, one that is secure and green and reliable. These things come together in the purpose of the Department.

Q82 **Chair:** You did not mention employment or the labour market there; is that something that is also a priority?

Greg Clark: It is, and when I mentioned governance and protections for employees and other workers, that is very much part of that.

Q83 **Chair:** You mentioned maximising opportunities and that sounds very welcome. You also touched upon "particular sectors and particular investors". What do you mean by that?

Greg Clark: What I mean is that you will know, Mr Wright, that, over the time that you have been chairing this Committee, sometimes there are investment opportunities and people are thinking of investing in this country; sometimes there are problems and there are companies that find themselves in difficulties, and sometimes these come unexpectedly. I want us to be very agile and fleet of foot in making sure that the

Government are there to make sure that, if there is anything the Government can do, that they can do it. It will not always be possible, but it seems to me that a core competence of the Department is that it should be agile and flexible and engaged and activist, if I can put it that way.

Q84 **Chair:** But "particular sectors and particular investors" sounds like there will be an element of choice—that you might say, "We do not want that sort of investment in Britain" or "We do not want that sort of sector. Therefore we will not be active in order to pursue it". Is that fair?

Greg Clark: No, that is not the implication. I talked about the long-term industrial strategy. When I say "particular", what I am also saying is that, especially in the world of business, there are particular cases, particular instances that come to light, and so I do not want us just to be taking the view that we do our long-term stuff and we are not alert and agile to what comes up from day to day, whichever sector it is and whichever employer or prospective employer it is.

Q85 **Chair:** How will you measure the success of the Department? What key metrics are you and the Prime Minister judging your work and actions on?

Greg Clark: They will vary according to the purpose. In terms of the industrial strategy, this is to be a long-term approach to policy making. It is literally a metric in terms of numerical, but I want the test of this to be the extent to which it endures across the years and that, at the beginning, it commands the support and the participation of all sectors of the economy, industries, I hope this Committee and our colleagues in the House, so that it is not an ephemeral approach. If it is to be a long-term strategy—a strategy has to be long-term; it has to endure—in my view, the only way that it can be so is if you build in the joint work and the contributions of people across the economy generally, and so the construction of the industrial strategy is a very important aspect.

When it comes to the responsiveness and the agility of the Department, I want to be sure that when events arise, my ministerial team, myself and my officials are engaged and involved with anything that arises in the industrial and business side of the economy and for us to build a reputation for that.

When it comes to high standards in terms of governance, in terms of employee rights, again, it is the question of the reputation that this country has for being not just a good place to do business, but a place in which business is done well and business enjoys a high level of support, consent and respect. In terms of the energy side and the low-carbon economy, clearly security of supply is the foundation of that. In addition to that, we absolutely must meet enthusiastically our climate change obligations and we need to do that in a way that confers industrial advantage on British business. That is one of the great aspects of the potential of bringing together the energy and climate change and the business and industrial strategies.

Q86 **Chair:** That all sounds very worthy, but somewhat woolly, if I may say so, Secretary of State. Your predecessor had quite hard metrics for key policy objectives: 3 million apprentices, £1 trillion worth of exports and £10 billion worth of deregulated savings to be identified. Do you have anything similar in order to ensure that we can see and judge whether your Department is being successful?

Greg Clark: My approach is to think about and construct the policies very carefully. It is reasonable to look in the future, as the policies are adopted, as to what the impact of those will be, but I do not want to start by giving a number that is a round number on these things just for the purpose of setting out an approach that is driven off that. I want to get the policy right and then, in the months ahead, there will be some aspects of that where numbers might be appropriate. In some cases, there will not be and qualitative assessments will be appropriate for some.

Q87 **Chair:** When the Prime Minister appointed you and said, "This is what I want a new Department to do", and when you have one-to-ones, and possibly in Sub-Committee of Cabinet, how are you judging whether you are successful or not?

Greg Clark: As I say, it is very evident that the range of responsibilities that I have have different requirements. In terms of the climate change commitments that we make, we need to meet our carbon budget and we need to deliver the savings on carbon that we see. In terms of some of the aspects of our industrial strategy, take science and innovation, we need to consider whether we can extend the strengths that we have and have more investment in the private sector and public sector in research and development. A very wide range of responsibilities come together in this Department. At this stage, to boil them down into a small number is not the approach that I take, but I am sure, in the months ahead, if there are particular numerical measures to be attached to particular policies, I would be very happy to propose them and, no doubt, the Committee can judge whether they are exacting enough.

Q88 **Chair:** In the Autumn Statement, the Chancellor talked about productivity as a big driver. You have not mentioned productivity yet. Is the productivity plan from the previous Government now dead?

Greg Clark: No, productivity underpins a lot of what we need to do to have a successful economy. You will see when we come on to talk about the industrial strategy and when we have further discussions that productivity is absolutely at the heart of that. In terms of companies, we know that some of our best companies are the most productive in the world, but we have a long tail of companies that are off the pace, shall we say. We know that compared to some of our competitors we have lower levels of productivity. Productivity can sometimes seem to be a bit of an economist's term in the abstract, but it also translates into something that I know the Committee sees as important, which is the earning power of working men and women in this country. If we want to have, as the Prime Minister put it, an economy that works for everyone, we need to make sure, not least through our industrial strategy, that people in the future have an increasing and enhanced earning power. That means that we need to take steps to improve productivity, so productivity is very important.

Q89 **Chair:** Before I call other colleagues, can I just touch briefly on the financial position of the Department? BIS had a resource savings target of around 16%. DECC had similar, 17%. What is BEIS's target?

Greg Clark: We have inherited the savings commitments from both of those Departments and, through the financial consolidation of the Departments, we are making the savings that are required.

Q90 **Chair:** Is it fair to say that around about 16% or 17% resource savings are needed by 2020?

Greg Clark: Yes, around that.

Q91 **Chair:** How are you going to achieve those? Forgive me if I am wrong, but it seems to me that in respect of BIS, a lot of the savings was about changing the way in which higher and further education was funded. That is no longer available to you, so what activities will you stop doing in order to make those savings?

Greg Clark: We are going to set out the proposals to the Department and I am sure the Committee will want to see that. I am very happy to send them to the Committee to look at. We want to take the opportunity of the two Departments coming together to, as it were, re-engineer the way that the Department is run to make sure that we take advantage of a big opportunity to tie things up here internally.

Q92 **Chair:** You are five months in now. What progress has been made with regard to this?

Greg Clark: We have made substantial progress. I think you had the Permanent Secretary in front of you and, as I am sure he reported to you, he has been very occupied and busy with the integration of the two Departments. It is a very important, but also a sensitive matter when people are coming together. They were working for one Department or another, now they are working for a new Department. That represents change and Alex Chisholm, quite rightly, is embarking on a very professional and well-attuned process of involving and engaging with members of staff, taking from them their evidence as to what may work best and then we will report back.

Q93 **Chair:** You are still going down the path of the roadmap set out as per BIS 2020.

Greg Clark: Yes. There will be some changes to that in the future, for two reasons. One is, inevitably, having two Departments coming into one means it is not BIS 2020; it is a new Department that is being created, so it will not be identical. The second thing is that the industrial strategy that certainly I want to propose, and we will consult widely on it, will have a very important local and regional aspect to it. My view is that it is important that we are a Department that regards local growth and local productivity as being very important, and that we are not just a Department that is concentrated in London but has important eyes and ears and more than that, resource—

Q94 **Chair:** Secretary of State, I am conscious of time and we will come on to industrial strategy and its distinctiveness in terms of your approach. I have a final question. The increased capital spend for science and innovation is welcome. How much of that will be eaten up by replacing lost funds with regard to EU science and innovation funding?

Greg Clark: It is completely separate from that. It is over and above whatever decisions we take there. As you say, Mr Wright, in the last Parliament having a cash freeze on research and development was considered to be quite important. In the financial settlement and the spending review last year, it was a real-terms freeze. To have a commitment to £2 billion a year by 2020, more, is a huge step forward and is an indication of how the approach of the industrial strategy—and I am pretty open about its proposed components—is already being put into effect and that is very welcome.

Q95 **Richard Fuller:** Secretary of State, in your opening statement you said some words about corporate governance and, as you will be aware, a significant part of this Committee's work during the year has been on a corporate governance issue at British Home Stores; about the collapse of that retailer, the looming pension deficit, its sale for £1 to a three-time bankrupt and then its going into administration about a year later. We are entering the holiday season; Christmas will soon be upon us. What is your message to Philip Green?

Greg Clark: Mr Fuller, you and the Committee will understand that, very tempting though it is to make personal judgments on individuals, I have a statutory role. There are investigations going on into what happened in BHS involving the pension fund and other matters. You know that I am responsible for questions over the disqualification of directors. In order to be able to discharge that, I cannot issue a judgment in advance of making those decisions; otherwise I would have to disqualify myself from it. I do know and the whole Committee will recognise that this is going to be a Christmas that was not what all of the BHS employees would have hoped for. It has been an episode in the history of British business that has not been its finest and we are determined to make sure that we can do everything we can to ensure that it does not happen again.

Q96 **Richard Fuller:** I very much appreciate your sharing your thoughts for the employees and the pensioners who, as you say, have an uncertain future and I am sure all parties will be trying to resolve that as quickly as possible. Personally speaking, I know that the ball is still in Philip Green's court; he did promise to us that he would sort it and we are still waiting.

Can you tell us when you are going to publish the better markets Bill that was outlined in the Queen's Speech?

Greg Clark: Regarding the Bill and the legislation, we have been looking at what is the best vehicle to take forward the measures in it. There are things about smart meters and so on, and we have not made a final decision as to what the vehicle for that will be, but of course we will bring the legislation forward to the House in due course.

Q97 **Richard Fuller:** You are quite right. There are a number of aspects to it, a lot of which are quite useful. One of the things that people find so frustrating is, if they have a problem with their phone company or their cable service is not working or their energy bill is not right—with the large private sector utilities, you might want to call them—how we manage the complaints procedure. That is likely to be in the better markets Bill. Do you have any further thoughts on how important sorting that out might be for you?

Greg Clark: Certainly, Mr Fuller, the consumer part of my responsibilities is incredibly important. One of the things that we need to do is to make sure that there is confidence that, again, as the Prime Minister said, the economy works for everyone and consumers' confidence is very important in that. Generally, consumer confidence is high in this country and, compared to other countries, we have a good record. That comes from being a very competitive market, but there are areas in which the record is not so good and that is one of the areas that we are considering in terms of future legislation to address those consumer concerns.

Q98 **Richard Fuller:** Of course, we have ombudsman services to help both in the public sector and in some of these utilities when things go wrong, but they do not necessarily have the access to the information about complaints. When someone starts a complaint and how it is managed is all within those private sector utilities, but that is incredibly important information. If one were to do an Ofsted of the phone companies or our energy suppliers, you would want to have that raw data. Is there anything that you can suggest about enhancing and beefing up the ombudsman service so we can get that raw data and would that have any benefit for consumers, which, as you rightly say, should be the heart of what we are looking at here?

Greg Clark: You make a reasonable point and in looking to strengthen the rights of consumers to have some sanction against mistreatment, obviously access to that information is important and we would consider it as part of the Bill.

Q99 **Richard Fuller:** Okay. Just jumping around, we looked at the digital economy and part of that was considering new ways of competing, so Airbnb versus inns and small hotels and Uber versus taxi drivers, etc. There is a sense that the Government have a positive eye on supporting insurgents into the economy. Do you want to share your thoughts about that?

Greg Clark: Yes, I will. Again, this will be very prominent in the industrial strategy. It seems to me that one of the essential features of a successful British economy in the past, and certainly it must be true in the future, is that we are at a place in which life is uncomfortable for incumbents, because they are under constant threat of being out-competed by either growing businesses or by new entrants or, indeed, by industries that might have their eye on supplanting existing industries. That is such an important feature.

There are a number of policies that contribute to that that, again, we have been good at. Competition policy is one of them; the quality of the environment for starting up small businesses is another. The ability of growing businesses to be able to access the financial means in order to go from one stage to another and to challenge some of the incumbents with deep pockets is another important policy. There is also an important regulatory aspect. It is a very interesting question. If you have a brand-new industry, how can you be fleet of foot in putting the right regulatory regime in place? In most cases, the participants themselves want to be part of a regulatory regime, but you do not want to be the last to produce it.

These are really important questions and it is essential to our future success for insurgent companies, as you put it, for disruptors, that they should think of Britain as being a particularly good place to locate. That is very important and, as I said, there are lots of things that can contribute to that.

Q100 **Richard Fuller:** I am very pleased to hear that. There was a nudge unit at Number 10. I was never particularly clear what that was all about really, but it sounded like it was a soft way of getting people to do things you wanted them to do without their really knowing about it. In your Department, when you think about supporting the insurgents' contestability in markets, of course Government have a harder end from nudging: it has regulation, which you talked about, policies as well as signalling. Should we anticipate that the Government will come forward with a slightly more robust approach to the encouragement of putting the UK first when these new entrants come to make a choice?

Greg Clark: Yes. We cannot stand still. We have been in a good place for new entrants and it is based on our supportive policies and institutions, but the world changes and we need to upgrade them from time to time, and sometimes a nudge might be appropriate. We could do better in having greater commercialisation of brilliant ideas that are produced by researchers, whether in universities or other research institutions. We are very good at producing the ideas; some other countries tend to be better at commercialising them. Universities are independent institutions, as this predecessor Committee knows very well, and so one of the things that I will want to do is to work with universities to make sure we have the right regime in which the development of intellectual property and its translation into industrial practice is very favourable and better than it is at the moment. Perhaps I can ask my colleague Gareth Davies, who has been a Director General of science for some time now, to comment.

Gareth Davies: On this particular point around disruptive businesses and insurgents, it is really interesting, because the challenge we often get when we talk to companies is they do not know who to go to. Often, it is not about money or investment from Government; it is just ensuring that the regulatory landscape is not inadvertently acting as a barrier to entry. A classic question five years ago from Uber would be, "Who do we go to?" The Department for Transport do not necessarily think of them as a transport company. Are they a tech company? What we are piloting in the Department on a very small scale, just a couple of people, is what we are calling a "disruptive business team". The idea is not to predict, because, frankly, why would civil servants know what the new business opportunities were and, if they did, they would go off and make some money. It is much more to be a point of call to run challenges in different areas.

The one we are looking at currently is blockchain. We are also looking at educational technology. It is not to try to predict the future or say to schools, "This is the technology you must use", but to say to potential new businesses—Tech City is a classic example, the digital cluster around Bristol—"Come to us and say what the barriers are getting in your way of adoption". Now, if you do not have a good product, that is your problem, but if there are some interesting products that, for whatever reason—historical regulation, just the way in which Government procurement is set up—has an artificial barrier preventing you from getting in there and competing with the incumbents, come to us, let us know and then we can use our convening power, working with the Secretary of State, around Whitehall to ask the question, "Do we need to look at this again from a different perspective?"

Q101 **Richard Fuller:** Quite similar to the faster access to new medical technologies and drugs that is being done.

Gareth Davies: Yes.

Q102 **Chris White:** Good afternoon, Secretary of State. We have had a number of evidence sessions on industrial strategy and we did have a panel where we had the former Chancellor George Osborne, Lord Heseltine and Vince Cable. They all insisted that there was an industrial strategy and I just wondered if you could elaborate on what your particular vision, goals and ambition would be for your industrial strategy.

Greg Clark: It needs to set out for the long term what the policies and decisions are that Government needs to take to make sure that the whole country can be prosperous in the long term. There are a number of aspects. The first is that any good strategy should build on strengths and we have fantastic areas of strength in this country, but as we have just been talking about, whether it is in tech or sectors like automotive or aerospace, science and research, there are lots of countries that would like to steal a march on us. We very much want to increase our commitment to those areas where we have been successful. My exchange with the Chairman on the research and development settlement from the Autumn Statement is an example of that. This is an area of great strength in which other countries, as previous Select Committee reports have shown, are investing more in research and development, and we need to commit and be active in that.

There is another aspect to it as well as building on our strengths, which is to address one of the biggest challenges of our age, which is the gap, call it a productivity gap, call it an earnings power gap, between the best businesses, companies, sometimes sectors and those that are further down the distribution. It is not just in this country; around the world the relationship between the top and the rest is of very great importance. I will say a bit about some of the means by which we can address that, but addressing that earnings power gap is very important. A third area, as we were talking about and as I mentioned in my exchange with Mr Fuller, is making sure that we are the best place in the world for the insurgents and disruptors, and that we are a competitive jurisdiction; this is not about protecting incumbents.

They are three themes that I will be setting out shortly. What are the policies that will help advance them? We have talked about investment in research and development. If we look at some of the aspects of productivity, it is very clearly the case from talking to businesses that our standard of attainment in education and skills is not as good as it should be. If we are to succeed industrially as well as economically and socially, we need to have a big upgrade in our performance on education and skills. There are other aspects that we will set out on infrastructure, for example. Again, we need to upgrade the quality of the infrastructure we count on. The decision on Heathrow, the decision on Hinckley Point C, and the commitment to HS2 are part of that, but we have further to go on broadband and mobile telephony, for example. There are ways in which you can address that. Giving a greater sense of leadership and local discretion to particular places, especially where they have industries that are associated with them, so you have clusters, is a way in which you can advance productivity in places.

In terms of the very important component to being a particularly open and competitive place, it is about making sure that we do not put barriers in the way of growing businesses, that we provide very good conditions for them to challenge incumbents, and that we get the regulatory regime right. These are all important components.

Q103 **Chris White:** Thank you. That was a very helpful answer. You have been running through a bit of a list. Do you think there is any sector of policy the industrial strategy would not touch or is it something that is so big that you need a bigger role?

Greg Clark: I think it is big. The truth is—and I will be frank with the Committee—the word "strategy" tends to be applied pretty liberally to documents and policies in Whitehall; there are lots and lots of different strategies. The times that we are living in—not just post-Brexit when we do need to set out how we are going to compete in the future, but with the development of technology around the world—are posing big challenges, such as how you can enhance the ability of people to earn a living for themselves in the future. Big challenges are very encompassing, and I feel very strongly that in discharging the privilege and the responsibility I have, I do not want to do anything that is trivial and just takes stuff down from a shelf and calls it industrial strategy. I want to get to grips with the problems and the opportunities that we face over the next 10, 15 or 20 years.

To answer your point directly, yes. I mentioned education, skills and training; they are not part of my Department, but they are absolutely in my sights for the industrial strategy. On infrastructure, I have talked about broadband and about some of the physical infrastructure—very much so. If this is to be serious, then it has to be expansive.

Q104 **Chris White:** We have an Office for Budget Responsibility. Because of the scale, do you think there should be a similar body set up to measure the success of this strategy in the long term?

Greg Clark: It is not something that I have heard suggested before and perhaps I can think about that and come back to the Committee in the future. It is certainly my intention that this cannot be a strategy that is simply written behind closed doors by me, and I produce it and say, "By the way, this is the country's industrial strategy. You must all get on with it." That is not how these things will be serious and endure. I want, especially through this Committee and other groups around the country, to have an engagement so that there is agreement; you never get total agreement, total consensus. I am sure with the Committee there will be plenty of things that we will have exchanges about, but you are all spending your time thinking about these important questions, as are lots of other people in the country and if we can bring them together, I think that will be very important.

Q105 **Chris White:** How interventionist do you think it will be in terms of, for example, our strategic industries or foreign takeovers? Do you think there is a place for the industrial strategy in terms of intervention?

Greg Clark: I said at the outset that I want to be activist and that is very important. Governments sometimes do have a role. Setting the regulatory environment, for example, requires Government action sometimes, so we should always be ready to do that. It varies. I certainly do not want and do not intend to propose an industrial strategy that picks half a dozen sectors and decides that we have chosen these and these are going to be the ones that we are going to put up in lights and, as it were, ignore the others. It is obvious from what I have said so far this afternoon that a lot of the meat of what we need to do is quite cross-cutting and will affect things, whether it is science and research and innovation, whether it is education and training, whether it is infrastructure; it will cover a lot of different sectors. However, you will know from your constituency, Mr White, that there are some good examples of sectors that have worked very well together and created a whole that is bigger than the sum of the parts by creating institutions and collaborations, especially with the supply chain. Mr Fuller was talking about new businesses; there are huge opportunities in getting more of the supply chain for large businesses here and active. Sometimes that does involve a sector working together to create the institutions in which small businesses can play a part and so there will be some sectoral aspects to this, but it will not be a sheep and goats exercise where certain sectors are in and certain sectors are out. This is about the whole economy.

Q106 **Chris White:** You talked a lot about local and regional work. In PMQs today, one of the Prime Minister's answers was to say that there is a differential of delivery around the country. How can we ensure that our LEPs and our local authorities have the necessary resource to deliver an industrial strategy locally on a consistent, professional level?

Greg Clark: We have made a lot of progress in this direction. My view, if I were to be critical of the predecessors of the Department over decades, is that a sense of the importance of place has been if not absent then far too lacking in prominence. My view is that we need to create the institutions locally and the leadership locally that can advance the economic interests of particular areas. People who live and work and are vested in an area know far better than I or my colleagues could in Whitehall what need to be done there. Through the Local Growth Fund, through the City Deals that I established in a previous role and through initiatives like the Northern Powerhouse and the Midlands Engine we have advanced that agenda, but it has further to go. I am particularly interested, in the industrial strategy, in the connection between place and sector. I do not know whether we have any Potteries MPs here.

Amanda Milling: I am the closest.

Greg Clark: You are the closest, Amanda. The Stoke-on-Trent strategy is a particularly interesting case in point where you have, through the heritage of the ceramics industry as well as its current and reviving strengths, a whole new set of possibilities around, for example, medical ceramics. It is incredibly exciting to go to a place and see that because of this tradition of research excellence in ceramics, there is this emerging sector of how ceramic technologies can be used in something that is a world away from pots and dinner services, but can be literally implants into the body. That is incredibly exciting and so to take place and to take sectors and to really get them working together, I think, has big opportunities for us.

Q107 **Craig Tracey:** You have said a few times that this has to be a long-term strategy and it is a point that has come up quite a bit in the evidence sessions we have had from industry. They have concerns about how you can have a strategy that will span political cycles. I am sure you are going to be in place for a long time, but we never know, so how are you going to develop that into something that will span those political cycles?

Greg Clark: It is the way you do it. You have to do it in a serious and deliberate way by involving all of the people and places that have contributions to make to that, to take very seriously what they have to say and work really hard to bring them together so that people can recognise that this is something that can endure. The Chairman asked about metrics earlier. In a previous role, I was the Planning Minister and the Chairman of the DCLG Select Committee asked a question, when I was responsible for producing the National Planning Policy Framework, as to whether I thought it would be a temporary or lasting document. I made a commitment to that Committee that I wanted that to be a set of policies and a document that would endure. Reflecting back on that, I was personally very immersed in it. I spent a huge amount of time listening to and reflecting the views of people; it was quite a lively set of exchanges and I hope this will not be quite so aerated—at the end, there are not many people who would look back and say the 1,500 pages of planning policy is better than the NPPF 50 pages that we now have. I am proud of that as a product of policy process and my—

Chair: I am going to move on, if I can, Secretary of State. I am conscious of time and there are a lot of areas to cover.

Q108 **Peter Kyle:** I am going to ask a couple of questions about Nissan. I want to frame what I say about Nissan in a way that is supportive of the activism that you have stated you aspire to and will aspire to going forward. It is great that such an important industry, in such an important sector, in such an important part of the country got the kind of attention it did from you. However, there is some clarity that is needed about what was agreed, what was discussed and what the outcome and the learning is from other sectors, who are also worried about the same situation.

In the Chamber yesterday, you said that there had been, and I quote, "no special deal for Nissan". Sir Amyas Morse, the head of the National Audit Office, has seen the now infamous letter. He says that, and I quote again, "On that basis I am satisfied there is no identifiable contingent liability". He goes on to say that he cannot see any reason why the Department would object to it being published. Considering this letter is so innocuous and has been vetted by independent people saying that it is innocuous, is there some typo that is embarrassing for your office? Is that the reason why you just do not want this published?

Greg Clark: No, it is a very good letter. I have set out what we communicated and I made a statement, as you know, in the Chamber; I think some members were there. It is a letter to a commercial business that, by its nature, contains information pertaining to that business that could be of use to its competitors.

Peter Kyle: The National Audit Office does not think so.

Greg Clark: That is not quite the case. The National Audit Office confirmed what was said: that there is no contingent liability and there is no hidden ticking time-bomb or something that needed to be referred to.

Q109 **Peter Kyle:** Let me rephrase the question, then. I have EDF in my constituency, one of their head offices, which we discussed in orals yesterday in the Chamber. They will, I presume, have very similar concerns to Nissan, being a foreign direct investor in our country, being one that import-exports talent and materials. Let me put these questions to you, presumably on areas that they would be concerned about, though I have not spoken to them. People: they are a French company based in the UK. After Brexit, will they be able to still have people coming and going without the need for visas and so forth?

Greg Clark: Let me step back a bit and take the point about other companies. As I said to the Chairman, I and my ministerial colleagues will be activist. We will talk to any business that wants to invest here and provide my view as to why Britain is an attractive place to invest.

Q110 **Peter Kyle:** I see you cannot answer the question, but the same question that, I presume, Nissan would be concerned about, being a company that exports in its supply chain and exports 80% of its products, EDF is going to have to import a huge amount of materials. It does so already, but in terms of Hinckley C and so forth. Wil they be able to do so tariff-free after Brexit, do you think?

Greg Clark: That was not the conversation that I have had with any company, because obviously, as the Committee well knows, the negotiations have not started, let alone concluded. What I said to Nissan and would say to any company is that I understand and we understand the importance, as part of our negotiation, to look to secure the continued access, tariff-free, to the single market and to avoid the kind of bureaucratic impediments that will disrupt trade. It is important they know what your intention and view is on that, but obviously I cannot—

Q111 **Peter Kyle:** If you were writing a letter to EDF knowing that, just like Nissan, they are concerned about tariffs, the movement of people and their talent and regulation, what would you say in that letter to reassure them?

Greg Clark: What I would say to EDF is that if they want to come and talk to me and tell me what their priorities are in terms of what we should get out of Brexit, it is very important that they should be able to brief me. I am talking to lots of companies. As it happens, I met EDF last night. They are a very important investor in Hinckley. It is important that they communicate that and they should know that they can talk to someone who will listen and take seriously whatever concerns they might have and reflect that through the Cabinet Committee in our negotiating mandate.

Q112 **Peter Kyle:** So, saying that in a letter is enough to get a multinational company to commit to investing in Britain, come what may, into the future. You got a good return.

Greg Clark: Nissan is one of a number of investors that have made a commitment in this country. You have just seen investment from Google. You heard JLR talk about their aspirations to build the next generation of electric vehicles in this country. It is very interesting. The importance of going the extra mile or thousands of miles, literally, and showing that we really do take seriously the contribution that companies, whether they are overseas, but also domestic businesses as well are very important. If you are a Minister in the Business Department or an official in the Business Department, it seems to me that you should be talking to businesses, understanding what their concerns might be and having that inform, in the case of Brexit, your negotiating mandate. That is something that I extend to any business.

Q113 **Peter Kyle:** I am afraid we have to skip around subjects; if I could turn to some of the corporate governance work, the Government and the Prime Minister made some very bold statements on executive pay, on workers on boards and the culture of short-termism within the sector. On both of those two headline issues, it is not quite as bold in writing as it sounded in speeches earlier on. This adds up to wanting to change the culture and evolve the culture of the way British business is governed. How are you going to change that culture when you do not seem to be giving yourselves many sticks to be using or firm levers to be using?

Greg Clark: The first thing to say is that one of the strengths of this country is that we have a deserved reputation for being a good place to do business, but also a good place in which standards are high. That is very important and that has been true of corporate governance in the past. It has periodically been improved through various reviews and enactments of changes and it is right to do that now. We have published the consultation. It has been commended pretty widely as being intelligent and a broad set of proposals, ranging from executive pay to the representation of workers, the supply chain, consumers, to look at the role of private businesses there. This is a very important consultation, very much in the traditions of keeping ourselves at the top end of international practice and leading international practice. We will obviously make some decisions early in the new year once the consultations has closed, but I am very proud that a commitment the Prime Minister made when she came into office not so very long ago now has a consultation paper out there.

Q114 **Peter Kyle:** I want to bring this in on 10 minutes, so I can curry favour with the Chair, so this will be my final question. There are lots of issues I would like to go very deeply into on some of these, and it is a hugely broad area. I just want to pick up on Craig’s point about long-termism and the endurance of the industrial strategy. Every single business that has ever given evidence here and discussed this, or that I have spoken to personally, has expressed frustration at the skipping around of policy between administrations and sometimes within one administration. It is fair to say that business would rather have a mediocre policy that endures for 10 years than a fantastic policy that endures for 18 months or two or three years.

It is interesting when you hear a Secretary of State talking, because every Secretary of State thinks that their policy and their long-term strategy is the right one. If you were true to your word of wanting to produce something that stood the test of time and endures, as you say, would you not have consulted with your predecessors to try to find some way forward from the past? Have you spoken to predecessors? I expect you have with Lord Heseltine, but what about Peter Mandelson and Vince Cable? Have you sat down and talked to them about these issues?

Greg Clark: At this stage, the approach that I am taking is to set out some intended approaches to this. It is absolutely not to have a year zero and declare that everything that has previously been done by anyone has no value—quite the reverse. I reflected earlier on some of the important work that has been done in particular sectors in recent years. That has been very important. If you look at the work that has been done by one of my predecessors, David Willetts, on science and innovation, he very much had in mind the strategic approach.

I agree with you that it is better for it to endure. I hope that you can have a fantastic policy that endures rather than be constrained to have a mediocre one, but that is exactly the approach that you need to take, and part of the discussions that we will have during the early part of next year are to solicit from anyone who has an interest in this, with the absolute assurance that they will be taken seriously and their perspective will be used and valued, so that we can get to what you say. I want something that will endure, rather than be a fleeting thing.

Q115 **Chair:** Thank you, Secretary of State. Can you share the Nissan letter with the Committee in confidence?

Greg Clark: Let me take that away and consider it. As I say, I have set out in the House what the four areas were that we talked about: the support that is available to firms in the sector and always has been; we have given £400 million, I think, since 2010. We talked about the importance of place, which is an important question. The third was the development of the next-generation battery storage and electric vehicles and the fourth was the assurance as to what our understanding of the importance of trade is. There are aspects that are commercially confidential, but they are not permanently so, so my intention would be to release the letter as soon as the particular commercial confidentialities for the firm are no longer there.

Q116 **Chair:** Would you share the Government's industrial strategy prior publication with the Committee?

Greg Clark: I want this to be very collaborative, and it is not going to be a strategy that is going to be unveiled as a surprise. You will know from the discussions that we will have over the weeks and months ahead what is going to be in it, because I hope it will reflect some of the things that you propose. I have always found and I found with the DCLG Select Committee that there is great value in, when we have a shared interest, without compromising your right to scrutiny, being able to work together on areas of mutual interest.

Chair*:* We welcome that.

Q117 **Michelle Thomson:** Good afternoon. Thank you for coming along. Touching on a couple of themes here, I am interested in long-term planning and investor confidence for energy. The budget for Contracts for Difference only goes up to 2022-23. Therefore, given the considerable uncertainty at the moment for businesses in light of Brexit, how confident are you that businesses will be prepared to make the long-term investment that could typically take 10 years and, at the end of it, they are not sure what support will be available for them to reap some return on that? What are your thoughts about that?

Greg Clark: It is important to set out long-term approaches; you are absolutely right. If you consider the five months since the Government have taken office under the Prime Minister, on renewable energy we have a pretty good record. One of the first things we did was to adopt the fifth carbon budget. We ratified the Paris Agreement. We have launched the next wave of CFDs. We have confirmed the £730 million for the whole of the Parliament. One of the first decisions that I took was to give planning permission for the biggest offshore windfarm in the country. I had the great pleasure, a couple of weeks ago, in Hull, to open the Siemens factory making blades for wind turbines. There is no one in the industry who doubts our commitment to it and I have said to this Committee, to the House and publicly.

Q118 **Michelle Thomson:** What about long-termism for budgets?

Greg Clark: In terms of the long-termism, our commitments on clean energy and on renewable energy are very important; they are there and we will meet them. We will set forward the emissions reduction plan early next year and that will take forward our commitments into the future.

Q119 **Michelle Thomson:** It is going to stay at 2022-23. There are no plans to push it out.

Greg Clark: What we have announced is the funding for this Parliament, which is, as I say, five months in, the right way to proceed, but there will be other opportunities, not least through the emissions reduction plan, to look at the longer-term context.

Jeremy Pocklington: If I may just come in, we are providing a lot of the certainty that the sector needs through this £730 million commitment that the Secretary of State said. You are right that the first auction, which will take place next year for the first £290 million of that

£730 million, is for what are called the "delivery years", 2021-22 and 2022-23 and onwards from then. However, we have said we will have up to three auctions this Parliament, the one in April being the first of those. In the other auctions, the rest of that £730 million will be allocated and that will be for years taking us up to 2025-26, so providing exactly that sort of 10-year confidence and certainty for the sector that you raise, which is obviously very important given the long lead times of these projects. We also set out in the recent Autumn Statement that we would set out the future of the levy control framework in the forthcoming Budget. We recognise the importance of certainty. Obviously, there is a balancing act to be struck between providing certainty for investors and the flexibility to respond to events and the changing market, and that balance is something that we are trying to get right.

Q120 **Michelle Thomson:** Okay. There may well be things about the levy control framework. Moving on then, and thinking about the challenge in the light of Brexit and investor confidence, is it still your intention to exclude offshore wind projects and not deem them less established technology, and therefore not having access to pot 2 funding? I am thinking specifically about Orkney, Shetland, and the Western Isles, where we know that it costs about nine times as much to connect to the National Grid. It is more expensive, particularly to get projects off the ground. We also know that in terms of wind we can guarantee that there will continue to be wind until the year dot. Therefore, if the investment proposition is right up front, then the return on investment will be greater as well. Are you prepared to look at that again? It seems disproportionately unfair to look at all the onshore and offshore in exactly the same way.

Greg Clark: We are looking at it. It was important to get on with the CFD auction. One of the things that I said at the time, having taken representations from the Chair of the previous Committee, Angus MacNeil, that we should consider this important question of whether remote islands are more onshore or offshore. That is essentially what it boils down to. It is right to review and consider that. I will do that very seriously, and I made a commitment to Angus MacNeil, that I will visit the islands to make sure that I am personally informed.

Q121 **Amanda Milling:** Good afternoon, Secretary of State. I am also going to bounce around, because I want to pick up on a couple of things in terms of industrial strategy first. In terms of timeframes, can you clarify what the plans are in terms of when you are going to publish the proposed industrial strategy, and also in what format?

Greg Clark: Good question. Consistent with what I have said about not unveiling to an unsuspecting world something that has been precooked by the Government, what I am going to publish in the next few weeks is a discussion paper that proposes various policies and components, some of those we have been talking about during the afternoon, some of which we have already discussed in the context of the Autumn Statement.

We will set them out, and then have a period of discussion and consultation to ask whether people broadly think this is the right approach, whether there are things that are missing or things that are included in our intentions that do not command support. We will meet with businesses, with this Committee, with the groups and in particular have roundtables and events and discussions in all parts of the country. I want to spend as long as it takes to make sure that we have given everyone, including particular sectors, the chance to contribute to do that. Later in the year we will no doubt produce a response—something like a White Paper.

The key thing is, which goes back to Mr Kyle's point, that the purpose of an industrial strategy is not to be a document that is a great piece of bedside reading, though I hope it will be as well. Actually it is to guide decisions and to set out clearly what the approach is of public policy on various aspects, whether it is science, research, innovation, infrastructure or place, so that people know what to expect for the long term.

Q122 **Amanda Milling:** One other question about industrial strategy before we go onto the retail energy market. You have already referenced it, but in order for an industrial strategy to work, it has to be cross-departmental. That is often one of the biggest challenges. An issue was raised between your Department and DCLG in terms of planning in the energy market. How are you really going to make this cross-departmental aspect work?

Greg Clark: You are absolutely right. It is absolutely crucial that it cannot be the BEIS Department industrial strategy. It does not even just have to be a whole-Government approach. It needs to bring together sectors and places, and needs to be something that can justifiably be described as the nation's intended approach to industrial strategy.

In terms of the cross-Whitehall piece, during my time as a Minister I have been particularly keen on dissolving some of these boundaries. When I was the Cities Minister it was my insistence that this was something that was not just a DCLG responsibility but brought together all of Government with some success. There is a committee of the Cabinet and the Business, Energy and Industrial Strategy Committee, chaired by Prime Minister, where all of these matters are considered under the Prime Minister's chairmanship. I do not think there has ever been such an institutional reflection of the need for joined-up Government in industrial policy as we have now. It is very much the Prime Minister's initiative.

Q123 **Amanda Milling:** In terms of the energy markets, for a long time we have had to increase competitiveness and get a better deal for customers. There are a number of remedies outlined by the CMA, after their investigation, which are due to be implemented by 23 December, which is next week. How and when will you be assessing whether or not they have addressed the issues? If they have not, what are you as a Department going to do about it?

Greg Clark: The CMA report is a very substantial report, as you know. It has identified a very significant amount of detriment to consumers that was taking place, £1.4 billion a year. It has proposed various remedies, many of them that fall to Ofgem to implement, some of them for Government. We are considering our response. Again, I want to make sure that we do this right and properly. I am dismayed that there is that degree of consumer detriment that has been identified. These are our constituents, and they ought not to be losing money in that way.

We have seen today some early action that I have been very keen to see happen. Ofgem has published, and will keep updated, information for each of the main energy companies on what proportion of their consumers are on the most expensive tariff and how that compares to the least expensive tariff, so that you can have greater transparency than there has been in the past. I am pleased that has been welcomed by consumer groups today. It is an important step in the right direction, but there is more to do.

Q124 **Amanda Milling:** Do you feel that the CMA recommendations go far enough? There were temporary price caps for prepayment customers, but it did not actually go as far out as those on default tariffs. There have been various reports in the press in terms of what Ministers views are and what they might be doing. I am interested to see if you think it is going far enough, and what you will do as a Department to push this further?

Greg Clark: I think that the most appropriate thing is for me to give a response to the report in its entirety rather than pre-empt that. What I can say is that I take very seriously the duty to act when you are confronted with that degree of detriment. I have seen the proposals and certainly on prepay meters they are absolutely right. There is a question, and I have been very clear about this, about those who are on the most expensive tariffs and who for whatever reason do not engage in switching. Some of these people are among the more vulnerable constituents that we have, and it seems to me that they should not be penalised for what they might see as loyalty to a company that has a blue-chip, and a good corporate reputation. They are a big brand name, and a lot of people, not unreasonably, assume that if you are with one of these companies, on their standard tariffs, you might not get the best bargain but you will not be ripped off. The companies have a job to do to persuade the public that they are not taking advantage of loyalty, when a lot of people quite reasonably do not expect that to be abused.

Q125 **Albert Owen:** Can I pick up on the loyalty bonus? I have been banging on about this for years. The energy companies said they were prevented from doing it for some reason in the past. They have this perverse situation, which was encouraged by Government, that the answer is switching: that you had to switch to get a deal. Imagine two supermarkets next to each other, and one saying, “Go and get the cheap goods next door.” It really is perverse. How do you envisage this loyalty bonus working? Are you going to encourage, via the regulator, that each of them can do bonuses, or are you going to have transparency, so that they can see where the cheapest tariff is?

Greg Clark: As I said to Amanda Milling, I want to set out my considered response to the CMA report in due course. What I agreed with Ofgem that they should publish today is very much a step in that direction. It is now very clear for the first time for each of the companies what the difference is between the price that is charged to the loyal customers and to those that switch.

Let me be clear: the fact the market has become more competitive and that good deals are available and incumbents are being challenged is a good and important development. Competition is very important. However, there is this question about what happens if you do not have the confidence or the resources to push for the best deal. What if you think—and it is not unreasonable to do so—that loyalty will tend to be rewarded rather than punished? That is a responsibility that the energy companies should have in mind. When I make my response, I will have that in mind.

Q126 **Albert Owen:** I look forward to that, because I do support what you say. I have one other thing before I move onto the emission reduction plan. With regards to the price of electricity, one of the biggest fixed prices really is transmission and distribution. It can range between 18% and 24%, almost a quarter of the bill. Have you plans to tackle this? In the last Parliament there were issues about green levies, which were a far smaller percentage that 24% of the bill. National Grid is a national monopoly. I know it is heavily regulated. Do you have plans?

Greg Clark: Yes, I agree with you, Mr Owen. The transmission charges are important. I do now know whether Jeremy can say something about this. We have been having conversations and taking steps to make some improvements there.

Jeremy Pocklington: You are right that network charges, as they are called, are roughly a quarter of the bill. It is a core job of Ofgem as the regulator to provide economic regulation for that. It is a natural monopoly through what is called the RIIO process. That is something that Ofgem keep under very strong review. They are in the process of what is called the mid-period review where Ofgem are engaging with National Grid to look at the finer details of that settlement for this control period. It then will not be long before we are setting the control period. The RIIO settlement for 2020s will begin in the next couple of years. It is something that is very important. It is something that Ofgem spend a lot of time monitoring, given its significance.

Q127 **Albert Owen:** If I can move on now, Secretary of State, you spoke in your opening remarks about your commitment and the priority you were giving to climate change obligations and the carbon budgets. In you emission reduction plan going forward, do you acknowledge what the

Committee on Climate Change has highlighted: that there is a potential policy gap, particularly when it comes to buildings and transport.

Greg Clark: We have been very successful in meeting our carbon budgets so far. It is known that it becomes more challenging as we get—

Albert Owen: But that is predominantly power generation.

Greg Clark: That is right. A lot of progress has been made on power generation. We have exceeded our requirements so far. The advantage, if I can put it this way, is because we have been successful in the early budgets then the requirements are later in the period to 2050 for the others. It is very important that we make use of the best technologies. However, you are absolutely right in that the progress we have made in energy generation needs to be extended to other sectors.

Q128 **Albert Owen:** On the joined-up thinking that you have been talking about in response to other colleagues, is this going to be a new way forward now? Will you be meeting with the Transport Secretary and Department? We have also had the announcements you mentioned about HS2 and the Heathrow expansion. That leads me to my next specific question to you, about the monitoring of aviation, internationally as well as locally. How are we going to do it domestically? How are we going to measure these emissions?

Greg Clark: In terms of the collaboration between Departments, you are absolutely right. The DfT have primary responsibility for that, but I have established a process within Government. I chair a Committee that met a couple of weeks ago, which will take all of the Government Departments that have a responsibility that feeds into the emission reduction plan to make sure that they are setting out and considering the steps that they will take. Although it is for the Department for Transport, I will scrutinise what they produce.

Q129 **Albert Owen:** On domestic things that you are responsible for now, and emissions, with regards to shale, for instance, you have a policy for extracting shale in this country. That means fossil fuels will probably remain the same. I know coal is out of the equation. You have cancelled projects such as carbon capture and storage. Do you want to bring that back? Is it still a live issue for you? Green jobs are in the industrial strategy, and it would also help in your emission reduction targets.

Greg Clark: Yes, it would. The particular cancellation, which was a year ago in the Autumn Statement, was because the value for money of that particular proposal was not found to pass muster.

Q130 **Albert Owen:** Do you not have to grasp the nettle sometimes?

Greg Clark: As some colleagues know, I had the energy brief in Opposition. I have always been very interested in the potential of technology such as carbon capture and storage. However, I cannot in truth gainsay the fact that the particular proposal seems unlikely to deliver the value for money that was required. It is by no means closing the door to CCS. The opportunity to look at proposals that can offer value for money would be important. Jeremy might want to comment on that.

Jeremy Pocklington: To be clear, we are continuing to invest in carbon capture and storage, despite the decision about the unaffordability of the particular commercialisation competition in the November 2015 spending review. Over £130 million so far has been spent, including a further £11 million since 2015. We are continuing to invest in the technology. The key thing is that costs need to come down. We have had Lord Oxburgh's report, which we are considering as a Department. It is a useful contribution to that debate about how we can progress this technology in future. There are also very interested international examples that we can learn from in the US and Norway.

Q131 **Albert Owen:** The success we acknowledge on renewables. However, on baseload—for example the nuclear programmes going forward, which I have had meetings with you about from a constituency level as well—on the small module reactors, do you intend to make a statement soon on that, so that it can progress? Is that your intention?

Greg Clark: Yes. In the new year I want to set out in statements, especially in the context of the emissions reduction plan, which has important implications for energy, what our longer-term approach to energy is going to be. That includes that.

Q132 **Albert Owen:** My final question, because I am conscious of colleagues and time, is with regards to your relationship with the devolved administration when it comes to emission reduction. How does this work in practice? I know the Welsh Government have a pathway plan. The Scottish Government have their own policies as well. How do you envisage integrating with them to make sure the UK meets it international obligations?

Greg Clark: It is clearly vital that we should. Our obligations are, as you say, international and for the whole of the UK. My Minister of State, Nick Hurd, is the person that is responsible for bringing together all of the components, Government Departments and devolved administrations, into what is a unified plan. He is very well-versed and well-respected on these matters.

Q133 **Albert Owen:** Swansea Bay Tidal will be your decision. We are awaiting the Hendry Review. You will be engaged with Welsh Government.

Greg Clark: Yes, very much so.

Q134 **Amanda Solloway:** Good afternoon. Just moving on to Hinckley Point C specifically, I wondered whether, if there are going to be any further obstacles, they are funding or regulatory, in terms of the process starting, and whether you have a start date.

Greg Clark: Can I ask Jeremy, who has been immersed in this for the last several years, to answer?

Jeremy Pocklington: I have a lot of history on Hinkley. The key news is that at the end of September we completed the process around the final investment decision for Hinckley and signed the contract. The Secretary of State directed a low carbon contract company to enter into that agreement. EDF, or technically Nuclear New Build, can now enter into the construction phase. That is a process that has already begun, but can now further gear up over the next few years. As you probably know, that will continue until the start date at the end of 2025.

Q135 **Amanda Solloway:** You do not see any further obstacles that are likely to occur. I am just thinking about lessons learned in terms of delays in France and Finland, and whether there is anything that we should be taking into account.

Jeremy Pocklington: We are obviously monitoring this closely. It is a major project; let us be very clear about that. There is significant capital expenditure from EDF and from the Chinese investors as well. As a Department we are making sure that we are putting in proper assurance frameworks, as you would expect, to monitor this project over the next few years. I am confident that EDF are learning lessons from their other major projects, such as Flamanville or Olkiluoto; I think they are the projects that you are referring to there. It is important to remember that consumers do not pay a penny for Hinckley until electrons are actually being transferred to the grid. The risk here lies with the investors, rather than with consumers. As you would expect, we are working closely with EDF to make sure that the insurance regime is robust.

Q136 **Amanda Solloway:** You mentioned assurances. When you say the risk is with EDF, is there not a risk potentially that if there are further delays we will have a crisis in terms of energy?

Jeremy Pocklington: The question you are asking there is whether there is a risk to security of supply if Hinckley were to be delayed. No, I am confident that there would be no risk to security of supply. That is because Government has the tools that it needs to constantly manage and protect security of supply, in particular through the capacity market.

Only the other day we announced the outcome of the capacity market for 2021-22, where we have procured around about 53 gigawatts of capacity for around £22.50 a kilowatt. In due course it will be important to make judgments around the capacity market for delivery in the mid-2020s to ensure that we can protect security of supply, even as large projects come off-stream and large projects are coming on-stream. Hinckley is a big example of that, but of course there are other projects and changes that are happening within the electricity system.

Q137 **Amanda Solloway:** What is concerning me as a consumer is thinking about the last week’s capacity auction. I know there was only one New

Build combined cycle gas turbine. Is that not something that possibly leaves us a little bit in jeopardy in case we fall behind on anything?

Jeremy Pocklington: "No" is the clear answer on that. Of course, it is important not to be complacent. What the capacity market does is it ensures that in the cheapest possible way, the system has the capacity it needs to meet demand and the reliability standard that is ultimately set by Parliament. In order to deliver best value for consumers, we deliberately set the framework so that the existing plant and new plant can compete on broadly equal terms. A lot of existing plant has won agreements, but some new plant has as well. About 1.5 gigawatts of new gas has won a contract through the recent capacity market auction. That includes a new closed cycle gas turbine, a CCGT, which is a repowering of a project, and an open cycle gas turbine. One thing I would say to the Committee is as the electricity system is changing and evolving to reflect the increasing use of renewables, what we actually need is more flexible sources of generation, rather than focusing on one type of generation. We need to focus on having a flexible range of generation that can respond to different circumstances that the grid may face.

Q138 **Amanda Solloway:** Again, it just helps for my clarity. You mentioned prices. I read that originally they were something like £10 per household, whereas now the calculation appears to be around £25 per household. With the benefit of hindsight, is the price that was negotiated too high?

Jeremy Pocklington: The capacity market cleared at £22.50 per kilowatt, only slightly higher than the last two auctions. That was very encouraging given our very conscious decision to procure more capacity in order to really protect security of supply, which speaks to your first question. Our estimate that we set out is that, in terms of the gross effect, it will add around £14 to household bills. It is important to not just look at the gross effect, but also the net effect. What the capacity market essentially does is ensures that we are procuring enough capacity in the market as a whole, which means that the actual wholesale price within the market will be less volatile and less subject to peaks than it would have been in the absence of the capacity market. The Department's calculations that are set out in our impact assessment is that the net effect, taking into account this wholesale price effect, is to bring that £14 down in the long term to about £2 per household. Essentially, on average, wholesale prices will be lower than they would otherwise have been, as a result of the capacity.

Q139 **Amanda Solloway:** When will that come into effect? When will consumers see that?

Jeremy Pocklington: On the capacity auction that we ran last week, I am sorry; I got the year wrong just a moment ago: it is 2020-21 that we are procuring. It is capacity for that winter that we are procuring. We have had two previous capacity markets for the two previous years, 2019-20, and 2018-19. This is technical, but what we announced earlier in the summer is that we would bring forward the capacity market to the winter of 2017-18 as well. We did not originally plan to run a capacity market then, but in January, National Grid will run a capacity market auction for 2017/18 on our behalf.

Q140 **Amanda Solloway:** I have a final question. Clearly, you mentioned that you are happy to subsidise new nuclear power. I wondered why that is, when at the same time we are reducing support for renewables, such as solar panels.

Jeremy Pocklington: What our analysis shows is that we need to have two large forms of low-carbon generation in order to decarbonise the power sector at the cheapest possible price to consumers in the long run. That was previously set out in the last Government's carbon plan, and it remains the case that that is what our analysis shows. That is why we focus on new nuclear, which provides reliable baseload generation, as well as a focus on renewables like offshore wind. We have chosen to focus our support for renewables on the technologies where further support now from Government is going to drive cost reduction, and where we think there is greater scope for deployment in scale, hence offshore wind.

For onshore wind, we are very conscious to honour a manifesto commitment not to provide further support for onshore wind. For solar, which you asked about, we are continuing to provide some limited support for solar through the feed-in tariff scheme, particularly for smaller householders. That will continue until March 2019. What we are doing there is essentially providing a gradually declining system of support under what is called a system of digression, which will help transition that technology to the point where it can deploy without support from Government. That is the goal in terms of solar.

Q141 **Chair:** Secretary of State, onshore wind is the cheapest form of renewable energy. Are you going to revisit your policy on that?

Greg Clark: No, it is a manifesto commitment, as Jeremy has just said, that we will not subsidise onshore wind.

Q142 **Anna Turley:** Good afternoon, gentlemen. Secretary of State, you said in your introductory comments that the reputation of this country as a place to do business and to do it well is very important to you. We are seeing, in this country, rises in agency working, zero-hours contracts, insecurity and low pay. We have had our own experience in this Committee with Sports Direct and the working conditions there in Shirebrook. We have seen in the last few days people sleeping in tents outside the Amazon warehouse in Dunfermline. Tonight on Channel 4 they are doing an undercover report into JD Sports and conditions at their Rochdale warehouse, which are apparently "worse than prison" and where people boast of sacking people at will. There is a quote from one employee, "I have sacked people for sitting down." Is this the future for working people in Britain?

Greg Clark: Quite the opposite. It is very important we maintain our practice of being a place where workers' rights and good treatment at work has been important to generations of our predecessors from the Factory Acts onwards. We need to keep that up to date. You will know that the Prime Minister has asked Matthew Taylor to produce a report and investigation into how some of the changes in employment practices from the modern economy need to be reflected in policy. That is a very important review.

Q143 **Anna Turley:** What is your view as Secretary of State for Business? Do you think you have the legislative, regulatory or enforcement powers to ensure that what is already in law is being carried out in terms of enforcement of the minimum wage and in terms of health and safety legislation? It is quite clear that this is not happening.

Greg Clark: We do in some respects. Obviously paying the minimum wage is a statutory requirement. HMRC are looking to vigorously pursue offenders there. On questions of health and safety there are regular, very important enforcement actions there. With some of the practices that come from developments in how people are employed, and some of the question of self-employment through some of the new models, the question quite rightly that Matthew Taylor has been asked is, "Is the suite of policy and powers that we have adequate?" The fact that we are very early in the tenure of the Prime Minister's Government and this has been prioritised shows how seriously we take that. Again, the Prime Minister has been very clear in everything she said. This needs to be an economy that works for everyone and we need to be able to be proud of how employees are treated in this country. We need to constantly look to make sure our protections are up to date.

Q144 **Anna Turley:** The Prime Minster has set that out; Matthew Taylor has his report. How will this fit into your industrial strategy in your role in the Department?

Greg Clark: It is very important. When it comes to how we make our living in the future, there would be no point in participating in a race to the bottom, and it would be wrong to do so. We need to compete at the top. That is how this country should do it. I have talked about the flipside of productivity being earning power. I want workers in this country to be able to earn more because they are more productive. Allied with that is that they should be confident that they are going to be well treated at work. It is fair to reflect that there have been recent examples of bad practice, but I would say that the way in general British workers are treated at work bears very favourable comparison across the world. Most companies, including those you take evidence from, take their responsibility to their staff very seriously, not only because it is an ethical requirement that they do so, but frankly because they need to. They need to look after their staff and make sure that they feel valued and well treated, because they are what makes the money that keeps people in business.

Q145 **Anna Turley:** You say you are proud of the way workers are treated in Britain.

Greg Clark: In general.

Anna Turley: A lot of the protective legislation that we have seen actually comes from Europe. What steps are you taking to make sure that some of these rights are protected as we go through the Brexit negotiations?

Greg Clark: We have been very clear that the rights that emanate from the European Union will be transferred. They will be taken across. There will be no diminution of those rights. As you know on questions of maternity leave, parental leave and others, we go beyond the rights that are the minimum rights that are available across the EU.

Q146 **Anna Turley:** Do you think that free movement has played any role in changing practices and perhaps a potential drive towards the bottom, as you referred to it earlier?

Greg Clark: I have not considered that particular aspect. It seems to me that whatever the future arrangement is, we need to have competent protections in place to make sure that British workers, people that work in Britain, are treated well.

Q147 **Anna Turley:** I have one more on this. I am afraid I am going to shift about, as others have today, and talk about the Pubs Code Adjudicator. I know you have had some correspondence with the Committee on that. What steps did you take between July and November to review the appointment of Paul Newby as the Pubs Code Adjudicator, and would you agree that maintaining confidence on both sides of the dispute is vital to his effective performance in that role?

Greg Clark: I do think it is important, and I took the Chairman's letter very seriously. Both I and Margot James, who is the Minister responsible for pubs, spent quite some considerable time looking into the basis of the concerns that the Committee had. The fact that I responded having done that, rather than immediately, was absolutely not a reflection of any lack of interest; it was quite the opposite. Both I and Margot met with Paul Newby, the adjudicator. My officials looked into the appointment process. The conclusion that I reached was this: that there was a proper process conducted with the involvement of the Commissioner for Public Appointments representative there. It was a proper and rigorously followed process. We were in touch with the Commissioner, who confirmed his view that there had been a proper process. Peter Riddell is the commissioner, as you know. He knows public policy very well.

It would be wrong to gainsay the judgment of the independent person who is responsible to oversee these procedures. In particular, for the pubs sector, the pubs code is a very important source of confidence for them, and it is important that Mr Newby gets on with the job, as he is. He has 70 cases that have been referred that he is working on. I met him and his team in Birmingham. I was impressed with the seriousness and diligence taken. The people that we collectively appoint to scrutinise these arrangements were satisfied by the process, including Peter Riddell, who is a substantial figure. Mr Newby is getting on with the job and has a lot of very important work to do. It is important that, through his work and the adjudications that he makes, the confidence of the sector is built up.

Q148 **Anna Turley:** Going forward, do you think it would be preferable for the Department in future to make full divestment of shares a condition of acceptance of the role?

Greg Clark: It may not be for the Department. These are questions of public appointments generally. Procedure was followed to the complete satisfaction of the Commissioner. That is a suggestion for the public appointments process. The reason that we set these things up independently is that we should not have ad hoc decisions by particular Departments; we should have a consistent process for making sure that public appointments are made in a proper and rigorous way. I would be very happy to share that with the Public Appointments Commissioner. The Committee itself could share that.

Q149 **Chair:** Secretary of State, you have answered a wide range of questions and we are very grateful. As you have a Christmas drink and you think about New Year's resolutions, five months to the day into the job, what has gone well? What has not gone well? Where do you need to raise your game in 2017?

Greg Clark: That is a good set of questions. What has gone well? We have had a good start in bringing together two Departments. As I am sure you will see in the weeks and months to come, when you take evidence from my colleagues, we now have a real strategic focus. Energy policy, climate change policy and its industrial applications, supported by science, for example, are all coming together. You will see it in the industrial strategy. Take the example of the agenda for battery storage. It is a fantastic example where you have energy, research and development science, the automotive sector and advanced manufacturing all coming together. It has been a real step forward to be able to have that.

I am very proud of some of the achievements that we have made, not least with Nissan in securing not just 7,000 direct jobs but 35,000 jobs in Sunderland. That has been very important. My ministerial team and I have been very active, often in ways that have not made the headlines. We have been getting to know businesses, understanding what the concerns in particular sectors are. We have not talked about steel today but we could have done. I really feel that we are establishing effective activist relationships with British industry collectively, at the same time as having this strategic focus.

Chair: You quite astutely did not mention how you need to raise your game in 2017, but hopefully you will come back soon and we can question you a little bit further on that.

Greg Clark: I would be delighted. Hopefully it will be early 2017, rather than at the end.

Chair: Absolutely. Secretary of State, thank you very much.