HOUSE OF COMMONS

Environmental Audit Committee

Oral evidence: Net Zero Government, HC 89

Tuesday 29 October 2019

Ordered by the House of Commons to be published on 29 October 2019.

Watch the meeting

Members present: Mary Creagh (Chair); Mr Philip Dunne; Ruth Jones; Jeremy Lefroy; Caroline Lucas; Kerry McCarthy; Dr Matthew Offord; Derek Thomas.

Questions 166-273

Witnesses

I: Simon Hart, Minister for Implementation, Cabinet Office, Samantha Ulyatt, Buildings Pillar Director, Crown Commercial Services, Gareth Rhys Williams, Chief Commercial Officer, Government Commercial Function and Janet Young, Government Chief Property Officer, Office for Government Property.

II: Simon Hart, Minister for Implementation, Cabinet Office, Rt Hon. Kwasi Kwarteng, Minister of State for Business, Energy and Clean Growth

Written evidence from witnesses:

Department of Business, Energy and Industrial Strategy - written evidence | PDF version

HOUSE OF COMMONS

Examination of Witnesses

Witnesses: Simon Hart, Samantha Ulyatt, Gareth Rhys Williams, and Janet Young.

Q166 **Chair:** I call the meeting to order and welcome our guests to this, our final panel on Net Zero Government. We are going to hear about the provision of centralised services from the Cabinet Office. Can our guests please introduce themselves?

Gareth Rhys Williams: Good morning, Chair. I am Gareth Rhys Williams and I am the Government chief commercial officer.

Samantha Ulyatt: Good morning. I am Sam Ulyatt and I am commercial director in the Crown Commercial Service.

Simon Hart: I am Simon Hart and I am the Minister for Implementation at the Cabinet Office.

Janet Young: Good morning. I am Janet Young and I am the Government chief property officer in the Cabinet Office.

Q167 **Chair:** Perhaps we can start with you, Janet, and a question on property. Property accounts for 40% of the UK's energy consumption and carbon emissions. What is your office doing to ensure that the Government are an exemplar in reducing emissions on their own estate in line with net zero by 2050?

Janet Young: Here at the Cabinet Office, we set the overall strategy for Government Departments and how they manage their estates. In our strategy is a commitment to continue the good work of reducing carbon emissions and other sustainable improvements to the estate. We are also responsible for setting standards on how Government Departments will manage their estate. We have just developed our first property standard for property teams around Government, which is due to be launched in November. We are also responsible in the Cabinet Office for building capability across Government property teams so that they can deliver Government's priorities and deliver Government policies. We have been working on all those things.

The progress we have made to date in terms of carbon emissions reductions is published in the DEFRA Greening Government Commitments report, which shows that since 2009-10, Government Departments have reduced their emissions by around 39%.

Q168 **Chair:** Can I just take you up on that 39% figure? Across Government, they have also reduced the size of the central estate by 26%—I know from my own constituency that in Wakefield we have lost our local court buildings. It is the easiest thing in the world to shut down a building and move it somewhere else, but my constituents are now expected to travel in their cars to court appearances in Leeds, so in some ways, you have outsourced that carbon footprint. You have given the gross figure of 39%, but we calculate that emissions per square metre have been reduced by just 18% since 2009-10. Is that a figure that you would concur with?

Janet Young: We have been achieving some of our emissions by reducing the size of the Government's estate. That has also been one of our priorities for Government property in four Departments—to divest ourselves of assets that are no longer required and to deliver savings. So it is true that some of the emissions reductions have come from reducing the size of the Government estate. However, the two sets of measurements are not directly comparable. The metrics that relate to the reduction in the size of the estate refer to our core central Government properties, such as offices, jobcentres, passport centres and, indeed, courts. We do not include specialist properties such as ports, museums, prisons and so forth in that estate efficiency measure, whereas when Departments calculate their emissions reductions, those are the overall emissions from the operations in the Department as a whole. It is very difficult to compare the two directly, but it is fair to say that some of those emissions have come from reducing the estate's footprint.

Q169 **Chair:** We calculated the emissions based on your core central Government buildings, not the prisons and the others that you mentioned, and we calculated the reduction at 18%. Is that something you have attempted to do yourself? Would you recognise that figure?

Janet Young: We haven't looked at it in that way.

To answer your more substantive question—on what we are doing to get to net zero—so far I have described what we have been doing to date. We have focused on meeting those two policy objectives: making the Government estate more efficient and reducing overall carbon emissions. The net zero target changes things a lot, and we will revisit the way we set targets and calculate what does and does not meet those targets. For example, to date we have achieved relative reductions against a baseline that was set in 2009-10. Each Department and property team has done their best to achieve the objectives against that baseline. Net zero gives us an absolute target to work towards, and there will be a lot of work for us as a collective Government property function to work out how to meet that target.

We will look at our overall strategy, the metrics and data we use, and the methodology used by Government Department property teams. We will definitely look at our property standard, because we think there are opportunities to strengthen that further to make sure we achieve net zero. We will also look into building capability in our Government property teams. There is some good capability in those teams, and I am sure you have heard examples of what has been achieved. We want to ensure that we are ready to achieve the net zero target.

Q170 **Chair:** You are right that it was relative reductions against a baseline, so your target for 2020 was 43%, which I assume you are on target to meet.

Janet Young: Yes, we are.

Q171 **Chair:** Okay. Given our calculations, which show that you have just closed a lot of buildings, you have only met half that target. For the first 10 years the reality is that although you have achieved the nominal target, you have done that through closure, not through energy efficiency or refurbishment. What do you think will be the largest hurdles in fully decarbonising the estate as we look forward to 2050? What are you most concerned about? We heard a lot last week about money and finance.

Janet Young: We will have to address a number of challenges. We have a large, diverse and complex estate across Government, so there is no one-size-fits-all in terms of technological solutions. The biggest challenge in respect of what we need to do to our buildings is very much around addressing the challenges posed by heat and decarbonisation. For electricity and power, we will be looking to source decarbonised electricity from the grid, but when it comes to heating and hot water we absolutely have a challenge. We are expecting to address that by, first and foremost, continuing to put energy efficiency at the heart of what we are doing. The more we can reduce the demand for heat energy, the easier it will be to meet that demand with decarbonised sources. A huge part of this is about continued energy efficiency measures, and another element will be the technology we use. In the fullness of time, we will not be replacing gas boilers with new gas boilers; we will be replacing them with other types of heat source. There is a technology challenge, and we will be looking to industry and programmes such as Modern Energy Partners—I think you have heard evidence from them—to provide us with the latest thinking on those options.

Q172 **Chair:** This is fairly big-picture stuff. The Government now need to transform their use of land and property away from this opportunistic approach, which is to shut down things and save money, and move to a more proactive approach where property and the net-zero target are central to setting Government as an exemplar to the rest of the country. What do you see as the challenges ahead? On heating, for example, we have heard that these might be very expensive projects, and the benefits kick in at year 10 and year 15, not in year 5. Are you aware of some of the difficulties in getting the capital expenditure that is needed?

Simon Hart: The short answer to that is yes. One of the many conversations we have had in the relatively short space of time I have been concentrating on this has been about the backlog of maintenance, and the challenge presented by that, in some pretty difficult areas. I do not wish to make an excuse before we even get into this, but the cost involved in just keeping things standing still, let alone actually getting to the stage that I think everyone wants to get to, is eyewatering. While listening to Janet Young's comments just now, I felt that the Committee might take some comfort from the fact that there is very little resistance anywhere we look within the Government function to the ambitions and objectives that the Committee has set out for us. Coming into this stone cold, I have been genuinely surprised by the commitment and enthusiasm for this programme, notwithstanding the fact that everything is caveated with, "By the way this is going to take 10 years, and it's going to cost a hell of a lot of money, and it's going to have to get through three spending reviews, and it's going to involve squaring the issue of, for example, listed buildings—which are always going to be a challenge—against modern building blocks and new parts of the estate where perhaps those objectives are more easily achieved."

That said, the successes are impressive. We can always go further faster, and I am not going to say that it is all fine, nothing to worry about, nothing to see here. There are going to be many issues, of course. The Wakefield example is interesting. It chimes with the conversations we have had about dealing with the challenge of listed buildings. The property portfolio includes such a huge amount of that category. By the way, some of what in public perception terms appears to be Government property—for example, NHS property—does not fall anywhere within our scope at all. The NHS is a huge consumer, but none of us can give you any answers on that at all.

Chair: One of the things we found in our Ministry of Justice inquiry was that there was a total lack of awareness among the property specialists that they had a duty to inform Heritage England when they were selling off listed buildings, for example. Building were going off to speculators without properly going through the Government's own processes, and their insides were being ripped out.

Simon Hart: Can I add two things? One is positive, and the other is possibly less so. The positive thing is the level of training going into this area of activity across the whole piste is significant. We possibly can expand on the awareness among property professionals under the Government umbrella, if you like, but it is impressive. If you turn the clock back 10 years and look at where we were then, where we are now and where we want to be in 10 years' time, the pace of cultural change is dramatic. That is good news.

The less good news is that we all, if we are honest, struggle with the big question of ownership. There are, in the end, so many different people with a little bit of responsibility for some of this that it is incredibly frustrating to find the person who actually owns the problem. I have found that in three months. I can assure you that it is not a criticism of these guys, but we are dealing with the Department for Environment, Food and Rural Affairs, with the Ministry of Justice and all these different entities. Find the person who says, "That is my responsibility, I have to deliver that." I am not quite there yet.

Chair: Okay, thank you Minister. I will move on to some questions from Caroline.

Q173 **Caroline Lucas:** I want to go back to Janet Young, if I may.

The UK Green Building Council says that the current minimum energy efficiency standards, the EPC band E or above, are nothing like sufficiently ambitious or future-proofed. They make the case that, given that the Clean Growth Strategy has a trajectory for homes of band C, at the very least, the minimum standard for building should be brought into line with that. What plans do you have to follow that advice?

Janet Young: In our property functional standard we set an ambition for Government Departments to acquire new properties that are in the upper quartile of those bandings—band C and above. There are sometimes very good reasons why Departments do not, and they provide us with an explanation and rationale for that. Often, it is where they are acquiring some temporary accommodation as part of a longer-term plan to consolidate into another property.

I agree with your main question. Using that mechanism to drive up the performance of our Government estate overall is definitely something that we want to look at, because we have the requirement in our standard that any new properties must meet the minimum energy efficiency standard. As you and the Green Building Council have said, it is relatively low. That is a requirement under our standard at the moment.

Q174 **Caroline Lucas:** Can you change it? You say it is something you want to look at, but there is an urgency to this. It would be reassuring to know that you are more than just looking at it and you might have some sort of plan to move to that. There is a big discrepancy between what is expected for homes and what is expected for commercial properties.

Janet Young: A discrepancy in what, sorry?

Q175 **Caroline Lucas:** Between what is set out in the Clean Growth Strategy. For homes it is band C, but there is this gap when it comes to commercial property.

Janet Young: Yes, certainly for Government property, we have a pretty rapid piece of work under way to inform our strategy and plan going forward.

Q176 **Caroline Lucas:** Does that mean changing minimum standards? What does it actually look like?

Janet Young: Well, we will not be changing the definition of minimum standards. In terms of how the Government apply it, we need to do that work. We are definitely going to look at it. Every time the Government acquire or build a new property is a really important opportunity for us, because we then live with that property for many years; we are probably still going to have it by 2050. You are absolutely right that these are going to be key areas for us to look at. That is definitely in the work that we are undertaking, which we hope to complete by the spring.

Q177 **Caroline Lucas:** So by spring, we might be able to ask you whether you have decided to shift from band E to band C for future acquisitions?

Janet Young: That is our intention. We obviously need to look at the supply of properties available and what plans Departments have to change their estate footprint. As we have already discussed, for many Departments, the trajectory has been to reduce and consolidate their estate. We need to look at whether any Departments have plans to expand, change or move their estate and what the supply of properties is. We want to do this in a considered way and make sure that, however we shift that standard, it is going to be achievable.

Q178 **Caroline Lucas:** Sure. As I understand it, just 39% of the current central estate has an EPC rating of C or above and 34 buildings do not meet even the current standard of band E or above. You have talked a lot about acquiring new buildings; can you tell us more about retrofitting existing ones?

Janet Young: Yes, we were talking earlier about challenges. If we are acquiring or building new buildings, that is a once-in-a-lifetime opportunity and we definitely need to get that as close to net zero as possible. Retrofitting is much more of a challenge, but it absolutely forms part of our thinking and planning. We will need to do everything we possibly can. Some of the buildings in the very low bands are the historic buildings that the Minister just referred to. For many reasons, we will want to hold on to them and keep them for the Government's use. The challenge for us is how we make them as energy efficient as possible while having regard to their heritage status.

It will be a challenge, but my expectation is that retrofit will form the bigger part of the activity that we have to do in Government property, as opposed to new build and acquisitions.

Q179 **Caroline Lucas:** We have talked so far about EPC as the standard, but you will know that, again, the Green Building Council has suggested that it might not be the best metric. For example, they point out that when the state of the estates report claims that 95% of Government buildings meet the EPC standard, that is not really telling us the full story because it is not representative of the full estate, because they take account only of buildings that require an EPC, and plenty of buildings do not. Do you have plans to update the metrics that you are using, in particular moving to an operational energy performance rating such as display energy certificates instead?

Janet Young: These are very valid points. Certainly, display energy certificates are a more reliable assessment of how that building performs in use than an energy performance certificate, which effectively is a forecast of how people think it might perform. To get to net zero, which is an absolute target, we have got to be really confident about how our buildings are actually performing. We certainly will be looking at all of these options in the work that we are undertaking now to look at the best possible way to measure—

Q180 **Caroline Lucas:** Do you think there might be a chance that by the spring—you said that was when you hope to finish this piece of work— as well as looking at moving EPC up to band C, you might indeed look at replacing it as the main metric with an alternative one?

Janet Young: We certainly will be looking at that, yes.

Q181 **Caroline Lucas:** Finally, what do you think about the Australian example, where they have a rating system that benchmarks actual building performance?

Janet Young: We have had some briefing about the Australian system. We have just talked about what kind of system we are going to use. We will certainly be considering that alongside other kinds of measurement systems, but we have not made any firm decisions yet.

Q182 **Caroline Lucas:** It feels a bit not urgent. I am very much hoping that by the spring you will be able to come back with some really firm proposals. You are looking at this and looking at that, and I appreciate that there is work to be done to make those assessments, but there is also a real urgency here. It feels that if the Government are not leading the way, we cannot really expect others to, either.

Janet Young: I will just echo the point that the Minister made. There is huge commitment across the Government property function and the people running Government estates to achieve this target. We do understand our responsibility to demonstrate leadership to everyone else in the UK who also need to think about net zero. We are undertaking this as rapidly as we can, through the research work that I have described. I can give you an assurance that we are taking it very seriously and it is very important. We have hired a new head of sustainability. We are sourcing some consultancy support to help us with this—so we are taking it very seriously.

Q183 **Kerry McCarthy:** Can I ask some questions about procurement, which are mostly for Sam. The Government have £49 billion at their disposal each year in terms of contracts. Do you feel that that is being spent wisely in terms of trying to meet the Greening Government commitments?

Samantha Ulyatt: Crown Commercial Services looks after £18 billion of Government spend per annum. Within that, we operate 77 categories of spend. Those categories are looked across and carbon is a feature not just in energy and operational costs, but at the heart of the supply chain and understanding all category areas of spend. If your question was do we consider that, the answer is absolutely.

Q184 **Kerry McCarthy:** This spending power would give you huge leverage in terms of driving down the cost of low carbon goods and services.

Gareth Rhys Williams: Sam's area is common goods and services that principally support buildings and properties. Sam also has some great energy deals with decarbonised energy. But if we move away from those common goods and services to the full £49 billion or, indeed, the £280 billion that we spend across the wider public sector, there are other things we are doing that I think will start to impact on this area. We have already concluded the consultation exercise. How do we include social value criteria in wider procurements? That is not necessarily for buildings, but just in any contract that—

Q185 **Kerry McCarthy:** When you say social value criteria, what criteria are they?

Gareth Rhys Williams: Environmental factors are definitely one, but they would also include apprentices and a number of other social goods.

Q186 **Kerry McCarthy:** Would it be about supporting local businesses? Would that be a factor?

Gareth Rhys Williams: That could be one—localism.

Kerry McCarthy: Paying the living wage?

Gareth Rhys Williams: There's a variety of them.

Q187 **Chair:** Could you send them through to us, please?

Gareth Rhys Williams: We are still in consultation. There is a pack that is going out for discussion. One segment of them is obviously on environmental measures.

Q188 **Chair:** Are they active at the moment or are they in discussion?

Gareth Rhys Williams: No. We have just finished the consultation exercise, Chair. We received 240 responses to our consultation, which is something of a record.

Q189 **Chair:** Is that internal responses or from the public?

Gareth Rhys Williams: It was a public consultation. This is a response to the previous Chancellor of the Duchy of Lancaster's initiative to widen what we do on social value. This gives us the great opportunity to allow contracting authorities throughout the country, whatever they are buying, to include elements of social value that are relevant to that contract.

It will be for local contracting authorities, whether it is a council or an NHS Trust, which is outside Janet's remit, to include those elements that they think are relevant to that contract. We hope that they would be using the decarbonisation metrics or the other environmental metrics in that contract, if that is relevant. In that way, you can influence not just the Government property spend—not just the £49 billion—but the whole spend.

Q190 **Kerry McCarthy:** But we have been told that with most existing tendering systems there might be a bit of a nod to the need to reduce carbon emissions, and the same would go for the other social value criteria, but it really comes down to cost.

Gareth Rhys Williams: The wider problem, which you rightly raise, is: how do you avoid just buying on cost? No contracts that I have seen have price as the only determinant; there are always a number of quality metrics. Usually price is only around 20%, 30% or 40% of the criteria, although there are examples that are outside that range. The problem is that with the other 60%, let's say, of quality metrics, it is very hard to define quality in a way that is enumerable and therefore scorable. Too often we fall into the trap of all the bidders, stereotypically, scoring eight out of 10 on quality, in which case price becomes the determinant, even if it is only 10% of the scoring criteria.

The social value metrics that we are working on give us the opportunity to metricise and enumerate how a bidder is planning to perform on that contract and on that metric, in a way that can be scored numerically, and then weigh it in the balance with price. I think that is a huge step forward. Councils started doing this a few years ago with a system called TOMs, which has moved the ball down the pitch a good way. The work that my colleagues are doing now will take that a stage further, crisp up those metrics and include carbon in particular, alongside other environmental measures. That will then allow procuring authorities to say, "Well, in this contract there is a carbon angle to this; this is relevant. We'll include that." It will do it in such a way that the industry that is likely to bid for it knows the question that is coming and therefore will be in a position to answer it.

There was a question earlier about which measuring systems we use. We don't want to unintentionally exclude innovative or smaller businesses from bidding for our work because we have chosen a metric that is abstruse or uncommon and that they are unable to measure, and therefore they cannot participate. That is the phase we are going through at the moment, laying out these metrics—I got the latest draft yesterday—with a view to rolling them out next year. That would then affect not just the work that Sam is doing on buildings for everybody—Sam is selling energy to the NHS and to schools—and not just the central Government property, but the whole procurement spend. I thought that would be really positive.

Q191 **Kerry McCarthy:** We have been told that, "Inadequate policy support and direction from the Crown Commercial Services" is a barrier to aligning the Government's procurement processes with achieving net zero. Do you accept that criticism? What can be done to improve policy support?

Samantha Ulyatt: Could you repeat that?

Kerry McCarthy: ENGIE UK told us that, "Inadequate policy support and direction" from CCS has been a barrier to aligning the Government's procurement processes with achieving net zero. Basically, they are saying that there needs to be more direction and more policy support from the organisation. Do you accept that that is a valid criticism? What can be done to improve that support?

Samantha Ulyatt: I accept that we can always do more. I do not accept the fact that we are not doing anything about it. I would always want us to strive to do more, ultimately, but I would stand corrected on the sense that we are not doing anything about that. The direction that we give—Crown Commercial Service has a supply of electricity. To complement what Gareth just said, our supply of electricity contract was awarded back in August this year. When we did the evaluation on that, that was very much in the light of carbon and carbon being at the heart of that. The electricity was awarded to EDF. With 83% of generation, they are the lowest carbon supplier. In terms of the overall supply centrally—

Q192 **Kerry McCarthy:** When you say they are the lowest—there are some suppliers that are totally renewables-based—do you mean of the ones that were able to deliver the contract?

Samantha Ulyatt: Either able or generators. In terms of the industry, there is the generation and then there are the suppliers. Yes, you can have suppliers that have low carbon—not zero, but low—on that basis. In terms of the generators, because we are effectively a similar size, you will go down from there.

In terms of what we could be doing more of in terms of carbon, we need to look not only at our opex costs but the whole-life cost. A lot of attention goes on the supply of energy and what we are doing with that portfolio, hence that quote. What the quote is and where the direction is are very much what Crown Commercial Service is doing around the whole-life cost. That comes into what we are doing in terms of construction, the supply of energy and our facilities management with our current buildings.

It is not just about one thing. It is also about the reduction of consumption. We have done a lot with various Government Departments to reduce their need for energy in the first place, so I do think there are other elements that we do.

Q193 **Kerry McCarthy:** Under the Greening Government commitments 2016 to 2020, the reporting standard for procurement is less rigorous than the other major commitments.

Samantha Ulyatt: 2016—

Kerry McCarthy: So under the 2016 to 2020 Greening Government commitments, the reporting standard for procurement is less rigorous than for the other major commitments in there. Is that right? That is what my brief says. Do you have plans to improve that?

Samantha Ulyatt: That does not resonate with me.

Q194 **Chair:** Can I come back to the issue of procuring for quality and outcomes that match your policy objectives? I have a new school in my constituency and I went along to see the plans. I was shocked to discover that there was no requirement to meet BREEAM excellent, which is what I would have expected, given that the school is literally being built now and will be there for the next 50 years, when we are allegedly going to achieve the target. The Chartered Institution of Building Services Engineers wrote to us and said that the building regulations for new schools are just "to comply with Building Regulations Part L2A". Why have we not changed our procurement standards to make sure that we are building net zero public buildings?

Samantha Ulyatt: My answer to that would be that that is not the procurement standards. That is the engineering standards that the Department for Education has concluded to procure those schools for.

Q195 **Chair:** But you are providing the money for the procurement. Why are you not telling the Department for Education, "You don't get the cash unless it's BREEAM excellent"? The Ministry of Justice was supposed to be doing this five years ago. We discovered that they were not when we did our 2016 inquiry. So why are the schools uniquely exempt when new court buildings have been doing this for years? It seems to me there is an inconsistency across Government.

Gareth Rhys Williams: Sorry, can I jump in? CCS is not providing the money. We are working for schools or hospitals to produce what they want. The point that you make is an excellent one. We have not talked about the Government buying standards yet—perhaps you have had evidence on that from DEFRA—so I think there is a need. This is a fast-moving space now, which is good. One of the things that the Minister alluded to that will need constant updating is the Government buying standards. But on saying to DFE, "These are the standards that you should buy your school from," the DFE come to CCS for that contract. We are only responding to what people are asking us for. I will check, but I suspect that what you are talking about is not yet in the Government buying standard. Perhaps it should be; I don't know.

Chair: Kerry, do you want to come back in?

Q196 **Kerry McCarthy:** I had my papers slightly out of order, and now I have found a bit more information about the last question. The commitments for things like emissions reduction, waste management, water use and paper use require Departments to report against specific numeric targets, whereas in terms of procurement buying—more sustainable and efficient products and services and so on—Departments are only required to report on the systems that they have in place and the action taken to buy sustainably. So that is the difference. There are not specific numeric targets.

Simon Hart *indicated assent.*

Kerry McCarthy: The Minister is nodding as though he accepts that that is a—

Simon Hart: I am nodding because the last couple of questions have highlighted the same problem, which is where voluntary contribution and mandate possibly collide. There is no doubt that a lot of what is happening at the moment is being driven by carrot rather than stick. It is quite an extensive training programme for managers and buyers to improve this performance. If your point regarding the school in Wakefield is why are we not simply telling people, "This is what you have to do, so go away and do it", we are not in that place. Maybe we should be.

Q197 **Chair:** You have an EPC requirement for your own properties that says C and above, but then you allow schools and hospitals to be built where none of that matters. That is total policy incoherence.

Simon Hart: I think Gareth's answer was quite an honest one in that regard. There is some unevenness. One of the problems that we are wrestling with at the moment is the huge unevenness across the system. I rather optimistically tried to make the point to you that it is all better than it used to be and it is going in the right direction, but the answer to your direct question, "Is this a coherent policy across all Departments with everybody trained to the same standard and dancing to the Government's tune?", is that it is not and it should be.

Q198 **Chair:** But are you going to change that policy, Minister?

Simon Hart: On my own, I suspect that that might be an ask too far. There is no resistance to it, though, in Government. The good news that I can impart—it might sound surprising, but it isn't—is that there is no resistance to this particular direction of travel. Does that mean I can give you an absolute commitment now that we are going to do a certain thing by a certain time? No, probably not. But what I can say, in answer to Caroline Lucas's earlier question to Janet about whether we—or somebody—will be able to come back here in a few months' time and report on progress, is yes, very definitely, I hope and expect that we will be able to do that.

Chair: Let's hope we are all here in a few months' time. Derek.

Q199 **Derek Thomas:** You are right, Minister, and I agree on the need to do this, and it will not be you that can deliver it, but do you think that this kind of subject can be taken to this newly formed Cabinet Committee on Climate Change where you can get real leadership in order to improve the new estate?

Simon Hart: Can you just repeat that?

Derek Thomas: You were saying that you could not personally bring about the change. There is a will, but you cannot actually effect change. Does that mean that this issue needs to go right to the new Cabinet Committee on Climate Change?

Simon Hart: I would not say that we can't effect change. The question is the extent to which we can demand change in a landscape that is, as we have already heard, hugely uneven and has many competing pressures, one of the principal ones being the cost. Is there a single body of people within the Government who can effect change? At the moment, it is hard to see what that actually consists of or what the shape of it is. We have a much more co-ordinated approach to this than had perhaps been the case in the past. You now have some cross-departmental co-operation and understanding of exactly what the targets and ambitions are. As I say, the missing bit of this, if I were to be completely honest, is around ownership. The missing piece is around what can be done only by persuasion rather than direction. I will probably be corrected, but I don't think we are quite there, but there is no lack of desire to be there.

Chair: Okay. Thank you.

Q200 **Jeremy Lefroy:** Could I just ask—with your permission, Chair—a question that might be slightly off piste re0lating to the new procurement criteria? Does the place where the company that is providing the services pays its tax come under the criteria? You will remember there was a big fuss about HMRC selling all its properties to some tax haven.

Gareth Rhys Williams: Tax is obviously the province of HMRC. When we see who is bidding for a contract, we are allowed to exclude them if they have fallen foul of a tax judgment, but that information is held by HMRC. We can talk to HMRC and say, "Has x or y company fallen foul and been convicted?" We are not allowed to disbar anybody who is on HMRC's watchlist, which it is not allowed to share with us, until such time as that company has actually been convicted. That is the same for other misdemeanours—we are not allowed to act in advance of a judgment.

Q201 **Jeremy Lefroy:** That's partly it: if you've got two businesses that are bidding, and one of them is paying all its UK taxes—paying corporation tax at a reasonable rate, paying its people properly and paying its taxes not through tax avoidance schemes and so on—and you've got another company that is perhaps doing it legitimately but nevertheless in a way that would be perceived by the general public and by us as getting away with something, and is therefore able to bid slightly lower, are you allowed to take that into account when awarding the contract, or does it not come into the criteria? As I say, when the HMRC business itself did a sale and leaseback of its property to some business based in a place where tax rates were much lower, the revenue to the Treasury was much less from its business, which gave great cause for concern.

Gareth Rhys Williams: This is the whole question of base erosion and moving profits around, which is a complicated area. That is HMRC's domain. If HMRC say to me that x or y co. should be excluded, we can react to that. If we get procurement people involved in international tax treaties—however much the headlines may say that it is something we should think about—we are probably on a very slippery slope. I just have to take what I am given from HMRC. Has someone transgressed? In that case, we can exclude them. Have they not? In that case, no, we cannot. That judgment has to come from HMRC. Before I joined the civil service, I was a public company CEO and a private equity CEO operating international businesses. How do companies use mixes that are allowable by HMRC? It varies. If a company in the UK is paying a low tax rate through being in receipt of a lot of tax credits because it is investing in new equipment and R&D, which depresses its headline tax rate, that might be a good for the country, but that is in HMRC's bailiwick. I cannot, and should not, try to second guess that.

Q202 **Jeremy Lefroy:** Thank you. What is being done to ensure—I think you referred to this earlier Ms Ulyatt—that full life cycle assessments of carbon cost are taken into account, in terms of operation, maintenance, repair and so on?

Samantha Ulyatt: The construction sector and infrastructure sector deals talk about whole-life cost. That begins right at the beginning. Utilities should not be thought about downstream in a programme; they should be thought about at the design, through early contractor involvement, understanding and being able to bring in innovation. The platform and environment for procurement to be able to operate in is important. CCS has, under my remit, not only energy procurement but construction. That construction element works in a way that brings alliances and supply chains together. It is an important work change.

Q203 **Jeremy Lefroy:** In terms of carbon cost being given as much consideration as financial cost, do you evaluate imported carbon? If a lot of the machinery for fitting out a building's heating system is imported from a country where standards of production are much lower, and carbon input into manufacturing is much higher, how do you take that into consideration?

Samantha Ulyatt: The consideration needs to be in the outcomes of those projects. Carbon needs to be an outcome. Yes, evaluation plays an important part, but it is not the sole one. The terms and conditions and key performance indicators of a contract are what hold the contractor to deliver. For me, that is about sitting down and considering the needs of the Department, understanding the outcomes and ensuring that those outcomes deliver. I can assure you that the challenges of that carbon are asked at the onset.

Gareth Rhys Williams: To build on what Sam was saying, I have a couple of examples of the Government buying standards, which lay out exactly those sorts of things—how we should or should not consider them, and in extreme cases lists of preferred products. Those buying standards are principally written by DEFRA, with some written by BEIS, and probably some written elsewhere. Those documents will inform the way Sam can set up procurements.

Q204 **Chair:** Ms Young, I think you wanted to come in?

Janet Young: Some of the comments have been covered by my colleagues. From the Government property function perspective, we have done some work over the last year to develop better tools for Department property teams to take into account whole-life asset management when working up projects or at business cases. We will need to include more guidance about including carbon, but we have also been working with the Treasury because the Green Book guidance allows organisations to take into account benefits from projects that are not just financial. The mechanisms are there. The work that we have to do is more development of some of the systems that I have been talking about, and more training for the teams that are using them. There has been quite a bit of activity over the last year looking at the whole-life cycle of property assets and not just the initial acquisition phase.

Jeremy Lefroy: Thanks. I presume we are talking not just about property?

Q205 **Mary Creagh:** I am interested in green cement. You talk about buying standards and embedded carbon. Do you have an example of where those buying standards have led to behaviour change in industry?

Samantha Ulyatt: You talk about modern construction methods, and we are very much at the heart of that group. A good example of that is modular building, which has not just economic benefits but big environmental benefits. Modular building can be adopted, and I feel that from a standards point of view it is something that could be taken up. But it is not the only answer.

Q206 **Chair:** Modular buildings are things like homes. The Committee is greatly concerned about their resilience to heatwaves or flooding, and about fire safety, should someone cut a hole in the wall, take out the flame retardants and stick in their telly. We have been quite negative about modern methods of construction, because it is just, "pile 'em high, sell 'em cheap". We are interested in things such as green cement, which already exists. Its cost is slightly higher, but if it was mandated as a Government issue—if you were buying a building and said, "We are going to reduce the imbedded carbon. We want green cement and zero diesel vehicles to be used", you would get change in the construction industry. It has not done anything over the past 10 years, but you would start to drive that change. We don't hear any of that happening. I don't hear it coming from you.

Samantha Ulyatt: Okay. You mentioned building materials. Across the construction spend in Government, building materials are not centralised and there is no mandate across the Departments. Building materials are definitely something I would mention—

Q207 **Chair:** Where you need to develop standards?

Samantha Ulyatt: We are developing standards and working and linking in, so that we reach out. This afternoon I will be talking to the Ministry of Housing, Communities and Local Government about various different standards and overall building standards. This is not just one thing. It is not just construction; it is about what materials are used, and the thought process used.

Q208 **Chair:** When will those standards be ready?

Samantha Ulyatt: I cannot answer that at the moment.

Q209 **Chair:** Are you in the process of developing them, or is it something constantly ongoing in the ether?

Gareth Rhys Williams: Those are back in the Government buying standards. Before I joined here I studied a low-carbon cement—it was using GGBS as a substitute for Portland cement and so on. It all depends on which mill that GGBS comes from, and the freight costs of getting it here. Even within different categories of low carbon cement there are—

Chair: Shades of grey.

Gareth Rhys Williams: Exactly. How do we set standards for procurement professionals to rate that GGBS with that other type of cement? We need those policies. This is fast moving—you are absolutely right—and we need to incorporate those standards into what we buy. It sounds a bit ball pass-y, but we are takers of those standards, not writers of them.

Chair: Okay, we will probe this a bit more with questions from Philip.

Q210 **Mr Dunne:** I am encouraged to hear you describe the social value criteria in progress, Mr Rhys Williams, and encouraged that you are looking at amending or using Green Book definitions to incorporate some elements of what we are trying to achieve in standards, including the Government buying standards. It sounds like good work is in progress on this route, and I hope this inquiry will give you another tool to address the challenges we face.

We have heard evidence from the Tyndall Centre for Climate Change Research, RICS, the UK Green Building Council and the Mineral Products Association, and they all say that we must take into account the whole life-cycle effect when procuring new buildings. You have not yet given us any evidence, I don't think, that you are actually doing that; you just touched on it in response to the questions from Mr Lefroy. Can any of you point to any evidence where the whole life-cycle on a new procurement of a building has been a factor in the decision making?

Gareth Rhys Williams: I can't, but that is not to say that we haven't.

Janet Young: I think there are some examples—I am just trying to think of some. I am aware, from the work that I have seen in Departments, looking at their business cases for investment, that they are certainly looking at what the cost will be to run those buildings once they are built and constructed. Those costs include all the operational costs, including energy and utilities. What we are not seeing yet is what I referred to a few minutes ago: the carbon elements, looking at that through a carbon lens. Certainly, the standard approach that Departments are using at the moment in all their projects and constructions will include those kinds of life-cycle costs. Generally, it is a 25-year period.

Q211 **Mr Dunne:** I think the definition of whole life-cycle cost includes demolition of the building, so it is the entire lifespan of the building. It would be very helpful if you could write to the Committee with any actual examples that you have of that being used, because I get the impression that it hasn't yet been.

I am conscious, Ms Young, that your responsibility is the central Government estate. Is that correct, or do you have a wider responsibility for other Departments? I think the NHS is not included in your remit.

Janet Young: No, the NHS and schools are not included in the Greening Government Commitments at the moment. Certainly, on the work we are doing on our property standard and building capability, we are reaching out to the NHS and the Department for Education, but at the moment it is very much focused, as you say, on central Government.

Q212 **Mr Dunne:** How many properties or individual estates are within your remit?

Janet Young: In the remit of the report that we produced about the efficiency of the estate, just under 5,000 properties are included. The Greening Government Commitments are far broader, so I don't have a figure for that.

Q213 **Mr Dunne:** You don't have a figure for the total number of properties or estates in wider Government ownership or occupation.

Janet Young: The figures that we have are that there are approximately 240,000 properties on the public estate. We do not have accurate data about them because we do not have a mandate to collect their data, monitor it and use it in our reports. That is the broad figure that we have for the size of the public estate.

Q214 **Mr Dunne:** Do you have any feel for what proportion of those are subject to the energy performance certification regime, and how many of those, or what proportion of them, should be subject to EPC ratings?

Janet Young: No, because the proportion of those properties that we specifically monitor and report on is the much smaller number of 5,000. We require the energy performance certificate at the point when a Government Department acquires a new property. A display energy certificate is required if it is a particular size of property or used by the public.

Q215 **Mr Dunne:** We have had evidence that only 25% of the central estate is subject to EPC certification requirements, but in the year to March 2018 you undertook 92 procurements within the central estate, of which 78 were excluded. That meant that only 15% were included in the EPC regime. My question to you is: what is the relevance of the EPC regime in achieving net zero Government emissions? You are addressing a very small proportion—somewhere between 15% on new buildings and 25% according to the historic buildings. Isn't that the wrong target? You should be looking at the buildings that are not subject to EPC ratings.

Janet Young: As I said in response to an earlier question, net zero really does change things, because we have an absolute target to meet that net zero requirement. We absolutely will be looking at what is in scope for reporting and what is not in scope. We will certainly look at that because we want to make sure that we have as good a picture as possible across all the Government estate.

Simon Hart: I wanted, if I may, to come back to the question before last, because you asked for an example on the whole-life cost. It is a tiny example, but I can give you some sense of where we are going with this: civil service hubs and the desire to provide career opportunities for civil servants outside London by either building or occupying centres dotted around all the regions and nations of the UK. A recent trip I took to Birmingham is a good example of that. Every bit of the planning has taken into account whole-life cost, right down to what the transport implications would be—where the station is and whether people will travel further or less far—and what the facilities are. Every element of the construction of that building has been undertaken with whole-life cost in mind.

It is but one of a tiny number overall—I cannot remember the total, but it is probably fewer than a dozen—of such hubs. I hope that gives you a flavour. In those particular examples of where we can and are, every single one of those considerations is quite prominent in the planning and execution process.

Q216 **Ruth Jones:** Mr Williams and Ms Young, I am interested in the training and support and development aspect, in respect of your staff. We have heard about the lack of chartered energy managers in your sectors. To compensate for that, you have training programmes for your 4,000 commercial buyers and 4,700 property department staff. Are you confident that the programmes you are rolling out for these professionals are sufficient on carbon literacy to ensure that we can achieve carbon neutral by 2050?

Janet Young: We have a number of property professionals across the Government function who have been involved in energy management and sustainability planning for many years. But we have made this a much higher priority going forward.

We have just reworked our career framework for people in Government property. We have put in a specific pillar for sustainability, which includes making sure that we are clear about what competences people need to have to do their roles. We are currently consulting on that career framework, which includes more than sustainability and energy managers across the different Government Departments. The consultation concludes in January, and we can then use that as a way of offering people really great careers in energy-related jobs in Government property. So there will be a programme of recruitment into those roles, if that is what Departments need—if there is not sufficient capacity—and learning and development opportunities for our existing staff. That is where we are in terms of building our capability.

The other point I want to make on that is that part of what the Modern Energy Partners programme—I think you have heard from them already—is doing is piloting projects to show what the art of the possible is for different types of campus properties. It is also about building capabilities. They will be developing some toolkits that we can use among other people in Government property, so that they can learn from that experience. Everybody needs to upskill to be able to respond to the net-zero challenge.

Gareth Rhys Williams: It is a good question. Over the past five years there has been a huge drive to improve commercial capability right across Government. That is built around assessment centres and training courses for different grades of civil servant and different levels of skill. That is going well. That is a general procurement and commercial skillset not related to these targets.

On top of that, last year, post-Carillion, we launched "The Outsourcing Playbook" which again has a whole load of other training we are doing, going around central Government Departments doing knowledge drops on how we think more intelligently about make-versus-buy decisions, whole-life costing and so on. That is not specific to the carbon agenda; that is just generally.

I talked earlier about the social value legislation and the opportunities that will give us. We need to train people in how to use those metrics and those freedoms in order to take into account the specification that Janet and her colleagues will be giving us to procure. We anticipate training around 4,000 people across central Government in how to use those. That will roll out as soon as we have the metrics down, so that we can then communicate how to use them, what they are, which will be more relevant for this sort of contract and which will be relevant for that sort of contract.

Q217 **Ruth Jones:** You mentioned 4,000 staff. That is interesting. It is all about preparing for the future, but surely that needs to be embedded now, because you cannot roll it out unless you have trained staff. My other question is whether you have plans to develop carbon literacy training for all your staff, not just those few.

Gareth Rhys Williams: The carbon literacy point is more about the specification that is given to the procurement people to buy, so I will float that one back to my property colleagues.

Q218 **Ruth Jones:** Surely all staff must be trained in what you are all working together as an organisation to achieve. The 2050 target is very strong and needs to be embedded across all individuals across all Departments. I wonder whether you have a training programme in mind. Perhaps Ms Young can help us. Do you have a training programme for all your staff?

Janet Young: Certainly, within the property function we have a big contribution to make it to net zero, so it will be an important part of our training programmes and our continuous professional development. I cannot speak for the whole civil service, but given the commitment to this important priority, I am sure we will see training programmes for all staff in due course.

Q219 **Chair:** May I follow up on that? There are almost no chartered energy managers working in the public sector. Is there a plan to drive up training? What is your training budget? Has it risen or fallen in this area over the past five or six years?

Janet Young: The training budgets are with each Government Department, so I cannot tell you whether the budgets have gone up or down. We have certainly made sustainability and energy management a much higher-profile part of our career framework. That said, we would expect that all people working in Government Property get upskilled in the commitment to net zero, and we will need some specialists to deliver net zero.

Q220 **Chair:** But the specialists are those chartered energy managers, and there are just 16 in the public sector. There might be some consultants, but across your 4,700 staff that is a drop in the ocean, isn’t it?

Janet Young: It is worth saying that we also use consultancy support to get the job done in Government property. We make a lot of use of specialist consultants. We may not have all the capacity and capability that we need within our Department, but we have access to specialist consultants.

Chair: We will have to leave it there; the Minister is waiting outside. Thank you all very much for your contributions.

Examination of Witnesses

Witnesses: Kwasi Kwarteng and Simon Hart.

Q221 **Chair:** May I ask the Ministers to introduce themselves, starting from my left?

Kwasi Kwarteng: My name is Kwasi Kwarteng. I am the Minister of State for Business, Energy and Clean Growth.

Simon Hart: Simon Hart, still Minister for Implementation.

Q222 **Chair:** Welcome back. Nothing has changed—that is a relief all round, really. Thank you. May I start with you, Minister Kwarteng? How are you going to ensure that the Government leads the way in decarbonising its own estate in line with net zero by 2050?

Kwasi Kwarteng: We have a number of initiatives that we are looking at. I would say we have had success. We have met our Greening Government commitment to achieve a 66% reduction in emissions between 2009-10 and 2020. We will hit that. So far, we have achieved a 57% reduction.

Q223 **Chair:** We heard in the previous session that some of those emissions reductions have actually only been achieved by selling off Government buildings. They are the gross emissions reductions, but we think the net emissions reduction is probably about half that.

Kwasi Kwarteng: But I think consolidation of the estate is absolutely part of it.

Q224 **Chair:** It is dead easy to reduce emissions if you are shutting down buildings. How do you continue that pace of change?

Kwasi Kwarteng: I disagree with that. Consolidating the estate and making the whole Department more efficient in terms of its energy use does involve getting rid of buildings and focusing on core departmental responsibilities, and managing the estate is part of that. Having said that, there are other things we are doing. We have a relentless focus on targets. For example, we have said we are going to have 25% of the Government car fleet using electric vehicles in 2022, and we hope to get 100% of the service on electric vehicles by 2030.

Q225 **Chair:** What is it at the moment?

Kwasi Kwarteng: At the moment it is about 10%, I think, but I will have to refer back on that.

Q226 **Chair:** I think you slightly misunderstood my point about the buildings, which was about the gross reduction versus the net reduction. While the headline figure looks good, actually it has been achieved by reducing buildings. That is not sustainable. You cannot just keep reducing the number of buildings. That is where we are at the moment.

Kwasi Kwarteng: I accept that. Where I have a differing view from you is that I think consolidation of the estate and the buildings is an important step, and we have done that. I think that is a success. Going forward, we need to upgrade the energy efficiency of the building. That is absolutely clear; I think 1 Victoria Street is D at the moment. We also need to improve our efficiency in terms of the use of the building. The other thing I would suggest is that we have made a success in reducing the number of flights that BEIS officials have conducted since 2009-10.

Q227 **Chair:** Our investigation into the MoJ found that the number of flights taken by presumably court officials and judges between Southampton and Manchester actually increased in the year that we did our inquiry, which was 2017. Across Government, it is not a rich picture. There are pockets of problems.

Kwasi Kwarteng: I can answer only for my Department, BEIS. I do not know about the Ministry of Justice.

Q228 **Chair:** How much have you reduced your flights by?

Kwasi Kwarteng: I knew you were going to ask me that, and my officials have very kindly given me the information. The net reduction of domestic flights is 54% in 2017-18 from the base figure in 2009-10.

Q229 **Chair:** Excellent. You are certainly doing better than the MoJ. Are you planning to allocate annual carbon budgets, or five-yearly carbon budgets, to each Department to align them with net zero?

Kwasi Kwarteng: We are, as a Government, absolutely focused on net zero, as you know. As far as I know, we are not allocating those targets to each Department individually at the moment, but we are absolutely focused as a Government on achieving those targets.

Q230 **Chair:** Why would you not make them accountable for reduction? Minister Hart is sitting next to you and he is saying, "Well, I'm not actually responsible for the Department for Education. I'm not responsible for Health or the NHS." The NHS will miss its carbon reduction targets. It is very difficult to read it and it is very complex. Despite having a sustainable development unit, they are set to miss their carbon reduction targets. Why would you not give one to each Department?

Kwasi Kwarteng: The policy on capital spending is subject to each Department. They have authority to spend money in their own capex in their own way.

Q231 **Chair:** Within your policy framework, why do you not set a five-yearly carbon budget for each Department, like you do for the economy and, within that, the Government takes up a certain percentage? Surely, every five years, you need to check that you are meeting—

Kwasi Kwarteng: I think that is a reasonable idea, but I am just trying to give you practical reasons why that is not happening. One reason is that different Departments manage different parts of the estate. You mentioned the national health service. If we look at the national health service, a lot of its estate—hospitals, clinics—is part of the wider public sector estate. We in BEIS do not have the authority to set policy for that.

Q232 **Chair:** But you do have responsibility for climate change reduction, so why are you not recommending to the central Cabinet committee that that should now be adopted across Government?

Kwasi Kwarteng: The net zero central Cabinet committee has been announced, but it has not formally sat, to my knowledge.

Q233 **Chair:** Are you on it?

Kwasi Kwarteng: We are trying to work out who is actually on it. That is part of the discussion in Government.

Q234 **Chair:** So it does not actually exist yet.

Kwasi Kwarteng: It was only announced, as I remember, last week. These things, as you know, cannot be conjured instantaneously. It takes time to work out who will be on it.

Simon Hart: I have one quick point. If the Government property people were still here, I suspect they would refer to—I was just looking at my notes—a commitment of all Departments for an emissions reduction trajectory, consistent with a 2 °C temperature rise or below. The point is that standard methodology, which I think is the underlying theme of your question, is now under active consideration. No longer will we be able to say to you, I suspect, that it is impossible or too difficult or too expensive. There are already moves to try to standardise the way in which we approach these things.

Kwasi Kwarteng: But the issue that you raised about targets is fair—about the way we have a carbon budget.

Q235 **Chair:** You want to reduce the demand for energy, you want to decarbonise your energy supply, and then you want to remove greenhouse gas. How do each of those three elements feed into your cross-Government work in the Cabinet Office and in BEIS?

Kwasi Kwarteng: We have a broad approach. I have mentioned things such as flights, in terms of the emissions and decarbonisation. I have mentioned the fleet of cars that we use. I myself insisted, pretty much instantly when I became a Minister, on having an electric vehicle—

Q236 **Chair:** Fully electric?

Kwasi Kwarteng: I use an electric vehicle, and the other driver in the Department has a hybrid car.

Simon Hart: I do not have a car at all, but not for the same reason.

Kwasi Kwarteng: They are not our cars, but in terms of being driven around the capital and a lot of the distance that we travel around the country, we tend to use almost exclusively electric vehicles, and I am very proud of that.

Q237 **Chair:** Is not the issue, though, that in the NHS there are only 42 electric ambulances?

Kwasi Kwarteng: That is an issue. I am not saying that we have reached the answer, otherwise we would not be here discussing this subject. We have a big issue. The other problem that we have is the issue of technology, because electric vehicles are becoming more popular and we need to have more installation points. We have made an announcement that we will spend £400 million to do that. With ambulances and buses, there is also a question about hydrogen; many people say that hydrogen is a better way of powering bigger vehicles. That is something we are looking into. We do not have all the answers here and now in November 2019.

Q238 **Chair:** But we do, don't we? If electric vehicles existed and the NHS said, "We are going to switch our fleet over in the next 10 years as part of the plan," at the moment the 10-year plan does not say that. It talks about low energy and low emissions; it does not talk about ultra-low emissions, which is electric. If the NHS was to say to every district nurse and every person who is eligible for a car through their position and their tax, "We are only going to allow you to get a tax reduction if the vehicle is electric and we are only going to purchase electric vehicles," it would stimulate demand across the country, reduce the cost of electric vehicles and drive a second-hand fleet as well. Why do you think that is not happening, Minister Hart?

Simon Hart: Technologically, I will stick my hand up for people in rural areas. You would not get an electric vehicle to perform particularly well in some of the areas in my part of the UK, simply because of the physical distance issues.

Q239 **Chair:** I am talking about the NHS. Most hospitals are based in cities and their staff are living in cities. That is where 80% of the population lives. If you could get 80% of the population on to electric vehicles, we can deal with the harder issues in rural areas afterwards.

Simon Hart: That is quite harsh on the people who live there, but I take your point.

Q240 **Chair:** I am talking about the Government using its purchasing power and its policy process to drive the massive change that we are going to need.

Simon Hart: NHS trusts are purchasing units in their own right, as we heard in the first session. I think we are on the same page here, aren't we? The incentives, whether tax incentives or similar, for this transition are in place and, while I would not say they are going brilliantly well, as I said rather hopefully in the first session, the ambition around these targets is absolutely shared. I do not think, as Kwasi Kwarteng has said, that there is any dispute. If there is a dispute at all, it is about the pace, rather than the ambition. I think what you are saying is, "Go further, faster."

Q241 **Chair:** I am asking you to set policy. You talk about the NHS as if it is completely independent of Government. Ministers allocate the budget. Ministers set the policy. If Ministers decide that people are not going to pay for prescriptions, they will be given out for free. If Ministers decide that there will be a new hospital, that will happen. Ministers, when allocating budgets, can tie conditions to the purchase and to the spending of that budget. Why is that not happening across Government for net zero?

Simon Hart: As far as I am aware, it is a combination in some cases of carrot rather than stick—I used that expression earlier on. In many cases, certainly with the civil service hub example that I gave you earlier on, it was absolutely a condition of the entire design, build and planning of the whole process. I do not think that to suggest that somehow that is not happening is an accurate reflection of where we are. For me, the argument is about pace rather than about ambition.

Q242 **Chair:** It is about scale. The NHS is spending £150 billion of our money each year and is the 30th biggest carbon emitter in the world. If we want to meet our carbon commitments, the NHS is going to have to seriously drive down its footprint.

Kwasi Kwarteng: Chair, we are in broad agreement. What your questioning is showing is that we could be better co-ordinated across Government. I accept that. It is why the Prime Minister announced the sub-committee, which we have never had before.

Q243 **Chair:** But which is not going to sit.

Kwasi Kwarteng: It will sit. You have highlighted the fact that we could be better co-ordinated across Government, and the Government agrees with you. That is why we are in the process of setting up the sub-committee.

Q244 **Chair:** Would you support mandating net zero vehicles across Government by, say, 2030?

Kwasi Kwarteng: That is something that we would encourage; of course we would. I am not going to mandate it, because the NHS is responsible for its own budget and it will take those decisions, but it is absolutely something—

Q245 **Chair:** But you, as a Minister, give them the budget. The Government allocates the budget. The money does not come from outside sources; you allocate the money.

Kwasi Kwarteng: Sure. We accept that.

Simon Hart: It is tempting. Of course we would all love to be able to just issue an instruction rather than a policy ambition. But in these circumstances there is also—I hate to say this—a cost implication, and we have to be able to balance the cost implication of the change that you are referring to and the impact that that might have on the rest of the service. Of course we could do what you say, but we would have to factor into that what the consequential budgeting impact was. I suspect you would be the first person to come to us if we got that balance wrong and somehow the financial commitment required to achieve your objective ate into some of the other objectives of the NHS. If we got that balance wrong, this and every other Select Committee would, I suspect, be on our back straightaway.

Q246 **Chair:** Absolutely. So what you are saying is that you cannot do it because it might cost more money.

Kwasi Kwarteng: No, there is a balance. What my colleague, Mr Hart, was saying was that there is a balance of conflicting needs, in terms of expenditure. One could imagine a situation in which we had spent a huge amount of money upgrading the fleet of cars, yet it was found that there was some deficient spending in another vital part of the service. What my colleague was suggesting was that you, perhaps, or your successor would be criticising us because we had failed to spend money in another area. There are balancing needs in any budget discussion.

Simon Hart: When we were discussing the property portfolio earlier, we were talking about the backlog of maintenance and repair and the eye-watering sum of money that we could allocate to that. For example, there are Government Departments that are on a sort of repair and maintenance-only arrangement. You would be perfectly within your rights to tell us that we should devote more resource to ensuring that that backlog was brought up to the standards we are talking about. That would have to get through probably the next two if not three spending reviews in order for it to be achieved; and we would presumably have to look at other areas that currently are under consideration and reprogramme them.

The net zero ambition remains absolutely untouched by all of this, but there are different routes to it. We just have to bear it in mind that there are some cost implications.

Q247 **Chair:** We are going to miss our third and fourth carbon budgets, or fourth and fifth, which start in 2023, aren't we?

Kwasi Kwarteng: On the current trajectory. We have done a good job in meeting one and two. I think we will meet three. You are quite right that, on current performance, we will just miss, I think, the fourth period; and, on the current trajectory, the fifth period, particularly, is an even bigger miss. But we are trying, and we are putting in place policies that will accelerate—give us more ability to meet those targets.

Q248 **Chair:** But they need to go across Government as well, don't they?

Kwasi Kwarteng: They do—they absolutely do. You are quite right in suggesting that the Government need to take a lead on this.

Q249 **Mr Dunne:** It is clear that measuring and monitoring is essential in order to try to achieve any of these Government objectives, to get to net zero.

The Greening Government—well, first of all, how do you monitor and measure emissions in the wider Government space?

Kwasi Kwarteng: I think you were about to mention the Greening Government Commitment. That is absolutely at the centre of what we do, because it basically gives us targets, which, in many cases, we have exceeded. Central Government had a target to reduce carbon emissions by 43% between 2009-10—the base year—and 2020. We actually had to revise that target up, because if you remember, in 2009, the initial target was 32%, which we met two or three years ago. As a consequence of meeting the initial target, we set ourselves a more difficult target. You are quite right that targeting is really important, but there is a flexibility to that, because when we do well, we set ourselves higher targets, as I just demonstrated.

Q250 **Mr Dunne:** Is anybody measuring the wider Government estate?

Kwasi Kwarteng: Yes, we have a clean growth strategy that takes into account the wider Government estate. However, we also have to distinguish between the wider public sector estate. On the Chair's question, hospitals are part of the wider Government estate, but the question could also relate to the wider public estate, for which we would have to have different policies to improve efficiency.

Q251 **Mr Dunne:** Has your Department encouraged the other Departments responsible for the wider Government estate to start monitoring and measuring emissions?

Kwasi Kwarteng: We are in the process of doing so. Our main focus has been on dealing with BEIS, principally, and then what is called the central civil estate.

Q252 **Mr Dunne:** Your Department publishes figures on emissions, and the evidence that we have had is that 3 million tonnes of emissions is within the scope of the Greening Government commitment, out of total public sector emissions of 18.6 million tonnes. That is only 16% within the scope of the GGC, and you are focused on that 16%. There is no way that we can get to net zero emissions unless you also bring to bear your considerable powers of focus on the remaining 84%.

Kwasi Kwarteng: Yes. We have rehearsed this discussion quite a bit this morning. I have said that we have a net zero commitment, which we all know about, and that the Prime Minister has announced a sub-committee. Your Chair—rather archly, I may add—suggested that it had not met, but it was only announced two weeks ago.

Chair: It's a statement of fact.

Kwasi Kwarteng: He only announced it 10 days ago. We are discussing how it will be composed, and we obviously also have other issues relating to political life, but that is something that we are absolutely pursuing. This is the first time that we have ever had such a sub-committee, which I think is a very good development. That actually touches on what you were saying, Mr Dunne, with respect to managing the wider public sector estate and the wider Government estate, because obviously that is a cross-Government challenge. I think the sub-committee is a very good forum in which your concerns can be addressed.

Q253 **Mr Dunne:** I agree with you and absolutely welcome the establishment of the sub-committee. I very much hope that you will be a key member of it. Will you include an agenda item for your first meeting on how we address net zero across the 240,000 properties that we heard about earlier this morning that exist within the wider Government estate?

Kwasi Kwarteng: Absolutely.

Mr Dunne: That's a yes?

Kwasi Kwarteng: Absolutely, yes. It will be on the agenda.

Q254 **Mr Dunne:** If the agenda is ever published, we will look forward to seeing that. Does your target also include scope 3 under the greenhouse gas protocol—i.e. indirect emissions? You mentioned that you take some pride in the fact that ministerial travel is done in electric vehicles. That is a scope 3 effect; it is not counted within scope 1 and scope 2. When do you expect to include scope 3 within your emissions target?

Kwasi Kwarteng: That is something that I can get back to you on. I do not know the exact timeframe on that. However, indirect emissions should clearly be within scope, so to speak; that is something that we should be looking at. That is why I talked about things like flights and cars and travel. All those things are—

Chair: Can I just clarify something? Transport emissions are under scope 2? Scope 1 is buildings and energy; scope 2 is mobiles—the toing and froing; scope 3 is about how much energy it took to grow a tree, for example?

Q255 **Mr Dunne:** It is indirect emissions. Employee commuting is under scope 3. I assume that Ministers would be counted as employees. I accept that that may not be correct.

Chair: They might not describe themselves as such, but yes.

Mr Dunne: You said you might get back to us. If you could, write to us with a view on that.

Kwasi Kwarteng: Yes, I would like to do that.

Simon Hart: I thought I would read you a sentence to give you an indication of the complexities of this—not that you do not already know them—which slightly confirms the earlier point. The Greening Government commitments owned by Cabinet Office and DEFRA do report on business travel—a scope 3 emission. However, "The State of the Estate" does not account for these emissions because these activities are carried out by third-party suppliers who independently report on their emissions.

Kwasi Kwarteng: That was my understanding.

Simon Hart: It sort of goes back to the point made in the first session. Making this work, which we are mutually determined to do, requires a clearer indication of ownership. The new Committee that the PM has referred to is, I think, quite a significant step towards having a command chain that everybody understands.

Q256 **Mr Dunne:** Thank you for that. From your perspective within the Cabinet Office, where you have oversight across the Government Departments, which parts of the wider Government estate do you believe are creating the greatest proportion of carbon emissions?

Simon Hart: The ones on our radar are principally MOD and MOJ. We obviously referred to Education and Health being outside our jurisdiction, but MOJ and MOD are—I was going to say the principal offenders, but that is rather unfair. However, they are the biggest consumers.

Q257 **Mr Dunne:** The MOD is the largest property owner within the Government Estate, but much of its estate is bare land which has potential to absorb carbon—obviously, it also has activities that emit carbon. Do you take that into account in making such an assessment?

Simon Hart: I do not actually know the answer to that question. I should do. I was referring only to the building portfolio rather than the land potential. That is a good point and we can refer back on that.

Q258 **Mr Dunne:** Finally, are there any plans within BEIS or the Cabinet Office to introduce more measuring telemetry or emissions data gathering equipment to improve your understanding of what is going on across the Government Estate?

Kwasi Kwarteng: I can answer your question broadly. We absolutely feel that in order to do this we need good equipment to measure emissions. That is something we are looking to do. I do not know what capital budget is allocated to buy such equipment—I can get back to you on that—but broadly, targeting and measuring is absolutely essential to this exercise.

Q259 **Mr Dunne:** A fund was provided to local authorities—I think earlier this year—to enable them to measure air quality. That was, I think, some 10s of millions of pounds—you might have the precise figure. It would be very helpful to know whether there is likely to be something in the next Budget when it comes to encouraging Departments to do their own measuring.

Simon Hart: I endorse that and would go one stage further. Consistency in measurement is essential if we are to be able to come up with policies that make any sense across the wider property portfolio. At the moment, there is lots of very interesting—sometimes anecdotal—evidence, but whether it would stand up to scientific scrutiny in a consistent form is another matter. I am not saying that the answer is "definitely not", but I do not know that the answer is "definitely yes." We need to resolve that.

Q260 **Mr Dunne:** Have you received some inspiration?

Kwasi Kwarteng: I have some very detailed notes—excellent briefing—as you will remember from your days as a Minister. It relates to Modern Energy Partners, which you may know about, which is an innovation project funded by BEIS. I will talk about that in further answers.

Mr Dunne: They gave us evidence.

Chair: Yes, they have been in to see us.

Q261 **Ruth Jones:** I am interested in the funding allocations to decarbonise the wider Government Estate. The NHS is not part of your remit, so let's concentrate on the Ministry of Justice. At the moment, we know that there is a significant maintenance backlog within the Prison Service. How will they work on the decarbonisation agenda when they have to spend any available money on fixing a leaky roof or ensuring that the hot showers are working properly? The danger is that the money will be sidelined into immediacy rather than the long term.

Kwasi Kwarteng: Although it is a different Department, this actually dovetails very nicely into what the Chair asked about the NHS. There are always, in any Department, going to be competing needs for serious funding., You are quite right to say that pursuing the decarbonisation agenda costs money, and people will argue that the money could be best spent, in the case of the MOJ, on upgrading the prisons estate. This is where my note is actually helpful. We have Modern Energy Partners, whom you have seen. Across Government, they provide a consulting service. You have to be able to educate managers on what is going on, and that is a very good example of an institution that we have set up and that will have a cross-governmental role. It is about not just spending money but trying to educate senior managers in the kind of energy efficiency that we want to see.

Q262 **Ruth Jones:** But that does not address the immediacy of the problem of the leaky roof or the lack of hot showers. Do you think that capital expenditure for decarbonisation should be ring-fenced specifically, to keep it safe?

Kwasi Kwarteng: You could have that approach. I do not think that is necessarily a very flexible approach. As you said, if there is an urgent need to fix a roof, a sewerage system or whatever it might be, that expenditure needs to be met immediately. If you start ring-fencing bits of the budget, you narrow the flexibility to address the immediate problems that you have described.

Q263 **Ruth Jones:** In terms of the overall financial cost of achieving net zero before 2050 across the wider Government estate, what do you expect the cost to be?

Kwasi Kwarteng: I do not have a figure. I could not tell you how much it is going to cost over the next 30 years to upgrade the Government estate.

Q264 **Ruth Jones:** I guess it will be significant. How will that impact on other areas of Government spending—for instance, fixing a leaky roof?

Kwasi Kwarteng: Taking Government spending in the round, we obviously have a finite amount of resources. We have to make decisions—often political decisions—about how we spend that money. You are quite right in suggesting that we will have to spend a lot more money upgrading the estate. I happen to think that if we grow the economy, we will be able to more than afford this, but I cannot predict to you now exactly how any shortfalls in the budgets are going to be addressed.

Simon Hart: May I add something that I hope is helpful? The target is net zero. That does not mean that every single building in the Government portfolio will reach zero; it is a net zero target. We touched earlier on listed buildings. I suspect that there is a very good chance at attempting to reach a net zero target with certain listed buildings. It might not be, in the view of some people, an entirely sensible use of taxpayers' money, because it might impede on some of the other areas of public expenditure to which you referred. Again, judgments will have to be made about whether it is sensible to try to get every single decrepit old Government building in Whitehall to the same level as perhaps other new and modern institutions in other parts of the UK. It is an achievable net zero target, but it means that some buildings will not reach that standard.

Q265 **Ruth Jones:** That is helpful. We also heard earlier that the brand-new buildings being built are not meeting the targets anyway, so I am still a bit confused.

Simon Hart: I was as interested as you were to hear that particular story. The new building that I had the pleasure of recently visiting really was an exemplar of what we should all be seeking to achieve. For a layman like me, the most extraordinary level of detail was calculated into that process. As I mentioned, even the proximity to Birmingham New Street station was a calculated and calculable factor in working out the potential capability of the building. There are good ones, even if there are some possible exceptions.

Kwasi Kwarteng: May I add something to that, in terms of where we are on this? As you know, the net-zero target was passed this summer. Buildings have a very long lead time, so it is not that surprising that some of the buildings have not met the new standards that we have set ourselves. Just as we have increased the reduction of our emissions targets, we need to be flexible and increase some of the quality. A lot of these buildings were designed, and the process of their building was started, before we had these more rigorous targets.

Q266 **Dr Offord:** As we have been discussing listed buildings, do you have a particular strategy for decarbonising some of the estate, particularly around buildings—

Kwasi Kwarteng: In BEIS, we could be doing a lot better. The building that I work in, 1 Victoria Street, is, I think, EPC "D", which frankly is not good enough. We need to be able to improve that. The measure of efficiency with which we use it is also low, so we can really start on our estate—in our own backyard, if you like—and improve the building efficiency there. There is a programme of action to do that.

Q267 **Dr Offord:** You say that you can do better. Where could you do better? Do you need other forms of legislation, for example, to assist in that, or do you have everything that you need?

Kwasi Kwarteng: I am not sure that legislation is needed in the case of 1 Victoria Street, but we need to think about how we use the building.

Q268 **Dr Offord:** What about across other parts of the Government estate, in terms of tools and mechanisms for achieving net zero?

Kwasi Kwarteng: It depends, as we have distinguished, on different parts of the estate. If we took the wider public sector estate, including schools and police, huge engagement with local government is needed. You may well need to have legislation.

When you are looking at what is called the central civil estate—things like the Foreign Office building—that would have a different approach. It is not just a case of applying the same tools across the Government estate or the public sector estate, because there are different levels, if you like, of engagement. A school in my constituency, which is not an academy, will be very much Surrey County Council's responsibility, and we would have to engage with Surrey County Council in that instance.

Q269 **Dr Offord:** So that I can understand it, when we talk about the wider Government estate—you mention schools—what are those tools?

Kwasi Kwarteng: Off the top of my head, I think you could pass legislation requiring local governments to meet certain standards in their school buildings. One could do that. Obviously we are looking at a range of policies, but the point I am making is that schools and the local government property portfolio, for example, are a different beast. It is a different proposition than 1 Victoria Street, the building that I work in.

Q270 **Dr Offord:** When is the likely timetable on which that will happen? When will that decision be made?

Kwasi Kwarteng: We are constantly looking at ways in which we can improve energy efficiency in this way. I suspect that in a subsequent Parliament, or later in this Parliament—I don't know when this Parliament is going to end—

Dr Offord: Next week!

Kwasi Kwarteng: There will be measures addressing this issue.

Simon Hart: May I make a point specifically on listed buildings? There are two things. First, clearly there has to be a degree of prioritisation. A lot of these buildings are on a rolling programme of repair and maintenance, and it would, to me, make sense that any sort of retrofitting and enhancement of standards coincides with that rolling programme, rather than there being an attempt to introduce some kind of procedure whereby we address them all at the same time. That is one point.

As and when the opportunity comes up, you are absolutely right that the Department's consideration of whatever those repairs and improvements are will be very much based on these things.

The other thing, which is arguably a little more contentious, is the movement of some civil service functions into different parts of the UK and into different buildings and shared premises. In some cases, that will free up buildings that are probably not particularly suited to 21st-century life anyway. We can have a long argument about what impact selling those properties on the open market and subsequent development might have in environmental terms.

With one or two notable exceptions, it is not a good idea to cling on to some of these places forever just because we always have, in the full knowledge that they are not especially brilliant places to work, let alone whether they are impeding our attempts to meet these targets—that is a different debate. We could perfectly easily come up with a very expensive form of improvement, but I do not think it would pass muster with, probably, this Committee or with the taxpayer.

Kwasi Kwarteng: Something needs to be added, though I am sure you are conscious and aware of it. As far as BEIS is concerned, we have made provision, the public sector energy efficiency loan fund. I am not sure whether that has been discussed in your sitting.

It is managed by a company called Salix Finance for BEIS. The whole purpose of that institution is to provide interest-free loans to the public sector in England—across the UK, in fact—to undertake improvements to their estate. The financing element is something that BEIS has already taken responsibility for, and it is something that we are encouraging. People are taking up loans precisely to improve their energy efficiency.

Q271 **Dr Offord:** A few minutes ago, you mentioned the fluidity of this agenda for the Government. That will have a direct consequence for public-private partnerships and their ability to assist—sometimes, they will not know exactly what the Government are thinking. Are there any messages you can send out to those organisations that assist the Government in that area, to give them a bit more certainty about how to play their part in the whole endeavour?

Kwasi Kwarteng: The one thing that gave a huge amount of certainty and completely transformed this debate was the net zero carbon target of 2050. People across the industry, internationally, have held this up as an important piece of legislation, which has given very good direction to what the Government are trying to do. The more that is socialised, the more people are aware of it and know what it means: that is probably the best thing that we can do to show people that we are serious about this.

Dr Offord: Okay. That's good.

Q272 **Chair:** Which Department, or Minister, is held accountable for overall Government progress towards net zero?

Kwasi Kwarteng: Good question. I think BEIS—

Dr Offord: It's you, isn't it?

Kwasi Kwarteng: You are giving me a lot of power; I like that—invest me with that. No. BEIS obviously has a critical role in this story. We led the Bill with the zero-carbon emissions target. To go back into the history, a whole part of DECC was set up precisely because of or in response to the initial Climate Change Act, so BEIS has a leading role to play in this. This is where the Sub-Committee of the Cabinet is very interesting, because BEIS on its own is not running the Government. We need to have a cross-Government approach if we are to be serious about meeting the target. That is the tension we are talking about in this Committee meeting.

Q273 **Chair:** We heard about Salix in our last meeting—I have just been looking at the transcript—and one of the issues with the £280 million fund you were talking about is that the payback time is, I think, five to eight years. One of the criticisms we heard was that some of these capital-intensive heating changes—for example, for prisons on the Isle of Sheppey—have a 10-year payback time, so they are not eligible under the fund. Will you look at changing the eligibility criteria—

Kwasi Kwarteng: Absolutely.

Chair: And potentially lengthening the pay-back time, the cost-benefit time, so that more of the public sector—particularly those difficult buildings—can be eligible for funding through that scheme?

Kwasi Kwarteng: Yes. That very issue was raised with me last week. I did not really know much about Salix—

Chair: The payback time?

Kwasi Kwarteng: But I have put in the diary a meeting with the CEO of the finance company, Salix. That is exactly the kind of thing that I want to address in the meeting. It seems slightly unnecessary—unhelpful, should I say—to be limiting those loans if there are critical bits of infrastructure that need the financial support. I fully share that.

Chair: On that positive note, we will end our sitting. I thank both Ministers for attending.