



Department for
Business, Energy
& Industrial Strategy

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Dear Darren,

I am writing to you following my appearance before your Committee on 13 December, concerning the work of the Department. The Permanent Secretary and I committed to providing you with further details on a number of matters. I address these in the order that they were raised by the Committee.

Pay Growth

In response to your question regarding private and public sector pay, I committed to providing you with figures on pay growth for both sectors.

The ONS figures¹ show that growth in average weekly earnings were 6.9% for the private sector and 2.7% for the public sector for the three months to October. However, an alternative measure of pay growth is wage settlement data, and according to XpertHR² the average pay award for the private and public sectors in 2022 are 4.0% and 3.8% respectively.

Economic Growth

With regards to our exchange on the growth of the UK economy in comparison to other G7 countries, I committed to write back to you. Looking at data from the IMF³ and OECD⁴ indexed in 2010, I can confirm the UK has the third highest growth if compared with the other G7 countries. Both data sources suggest that in 2021, the UK took third place from Germany and is now only behind Canada and Japan, in terms of GDP growth.

In relation to comparative growth this year, the OECD's latest forecasts⁵ shows that the UK is expected to be the best performing country in 2022, when compared to the other G7 countries.

As I said at the session, however, I agree with you that we need to have faster productivity and growth in this country, and the Prime Minister and I are united in our mission to drive forward progress in both areas.

¹ Average weekly earnings in Great Britain: December 2022, ONS ([Link](#))

² Pay Awards: 15 December 2022 Xpert HR ([Link](#))

³ World Economic Outlook Database by Countries, Gross domestic product in constant prices index 2010=100 ([Link](#))

⁴ OECD Economic Outlook No 112 (Edition 2022/2), Gross domestic product in volume at market prices index 2010=100 ([Link](#))

⁵ OECD Economic Outlook No 112 (Edition 2022/2), Gross domestic product in volume, year-on-year growth rates ([Link](#))

Nine-Point Plan for Seafarers

In response to a question from Andy McDonald MP, I committed to providing an update on the actions taken on the nine-point plan for seafarers.

The Seafarers' Wages Bill was introduced to the House of Lords on 6 July and progressed to the House of Commons on 7 November. It had its Commons second reading on 19 December. This bill works towards Goal 1 and 2 of the Plan so that seafarers working on ships that regularly use UK ports are paid at least equivalent to the UK National Minimum Wage. Goal 3 stated to improve seafarers protections through international partnerships. DFT are liaising with our European neighbours to explore the creation of minimum wage equivalent corridors, as well as working through international organisations to create a step change in seafarer welfare. For Goal 4, HMRC have undertaken a review of the maritime sector, and will continue to monitor any complaints in this sector relating to the National Minimum Wage. The Maritime and Coastguard Agency have been continuing their robust enforcement policy for Goal 5.

BEIS is bringing forward a Statutory Code of Practice on dismissal and re-engagement (also known as "fire and rehire") to meet Goal 6. A draft version of the Code will be published for consultation in due course. Goal 7 is to hold P&O ferries to account. Currently, a civil investigation into the directors of P&O is ongoing and therefore I am unable to comment.

Goal 8 and 9 included the seafarers charter and improving the attractiveness of the UK flag. DFT are considering feedback provided by stakeholders in response to a draft voluntary Seafarers' Charter and are developing measures to make it more attractive to sail and stay on the UK flag.

Hydrogen

In response to questions from Alexander Stafford MP, I committed to write to explain the sufficiency of the government's 10GW hydrogen production target as well as the comparative work of the UK and other countries on hydrogen blending in domestic energy supply.

10GW of low carbon hydrogen is both stretching and credible for the UK and positions us in the leading pack internationally and will help realise a burgeoning hydrogen economy that could potentially support over 12,000 jobs and over £9bn private investment in the UK by 2030.

This ambition is based on our detailed understanding of the pipeline of projects that could come forward during the 2020s, and is considerate of the challenges, constraints and costs involved in delivering this.

While other countries have set out considerable headline figures alongside their hydrogen strategies, the UK's strategy - and the range of funding we are delivering to make it a reality - represents the most comprehensive, specific and detailed set of policy commitments worldwide.

Regarding blending, hydrogen is currently limited to 0.1% in the GB gas networks, as outlined in the Gas Safety (Management) Regulations. The Government is aiming to reach a policy decision in 2023 on whether to allow blending of up to 20% hydrogen

by volume into the gas distribution networks. This could generate carbon-savings of up to 6-7% on current GB grid gas consumption. We are building the necessary evidence base to determine whether blending meets the required safety standards, is feasible, and represents value for money.

In order to do this, Government officials are working closely with Ofgem, the Health and Safety Executive, the Devolved Administrations, the gas networks and wider industry stakeholders to understand the case for blending.

If the decision to proceed with blending is positive, we will then look to start the legislative and regulatory process to enable blending, as well as the process to make any physical changes to gas networks that are required. Given timelines, we do not anticipate blending at a commercial scale to commence before 2025, at the earliest.

The EU is considering blending hydrogen into the existing gas grid as a possible interim first step towards decarbonising gas. In December 2021, they published their Gas Markets and Hydrogen Package which set out their intention for national Transmission System Operators (TSOs) to accept a 5% hydrogen blend rate in the gas grid by 2025 (subject to ratification). This threshold is to ensure interoperability between networks. Neighbouring TSOs may be allowed to bilaterally agree a higher blend rate.

The Government will take into account the EU's approach to blending in its assessment of the case for blending into the National Transmission System.

Sizewell C / China General Nuclear

In a question raised by Alan Brown MP regarding the Government's recent investment in Sizewell C, I committed to provide further information on the payment made to China General Nuclear (CGN) to confirm their exit as a project shareholder, whilst respecting the commercial sensitivities associated with this investment.

The Government invested a total of £679m in the Sizewell C project, becoming a 50% shareholder in the company, and providing funding to continue project development, working towards our ultimate objective to take a Final Investment Decision on a new large-scale project by the end of this Parliament.

The payment to CGN, agreed through constructive commercial negotiations, is included within this amount, and covers the value of their shareholding, their contribution to the project's development and a commercial return reflecting their work on the project to the point of the Government's investment.

Offshore Wind Capacity

In response to Ruth Edwards MP's request for further breakdown of the projected 75GW of offshore wind capacity, I committed to providing the relevant figures, including how many gigawatts have a connection date before 2030.

The UK currently has approximately 13 gigawatts (GW) of installed offshore wind capacity connected to either the transmission or distribution networks. In addition to this, the UK has a strong potential pipeline (around 76GW) of offshore wind projects. In the table below, I provide a breakdown of this pipeline:

Development Stage	Capacity (GW)
Committed: Projects which have been offered a contract for difference (CfD)/have received merchant commitment; these projects will be at financial close, procurement or construction.	15
Consented: Projects which have received planning consent and are ready to bid into a CfD allocation round or secure merchant commitment.	4
Under Development: Projects which have a seabed lease from The Crown Estate or Crown Estate Scotland but are yet to receive planning consent and are being developed.	47
Future: Capacity which is expected to receive a seabed lease via an auction round, publicly announced by The Crown Estate or Crown Estates Scotland.	10
Total Pipeline	76

The figures in this response are rounded to the nearest GW and are the projected capacity figures. The offshore wind pipeline remains dynamic and subject to increases/decreases in size over time, for example due to attrition (e.g. some projects may withdraw from the pipeline) and project re-sizing (e.g. projects may increase in size if they can use bigger turbines).

In addition to this breakdown, I can confirm that approximately 32GW of this pipeline has a confirmed grid connection date by the end of 2030. There is also up to 21GW additional offshore wind capacity awaiting connection contracts from the National Grid Electricity System Operator (expected by March 2023) within the scope of the Holistic Network Design, with a follow up exercise currently underway for a further tranche of projects (Scottish and Celtic Sea).

Membership of Energy Efficiency Taskforce

You asked for clarification of our membership of the Energy Efficiency Taskforce. As I set out, that this information has not yet been made public. We expect to be able to make the name of the co-chair and the Terms of Reference known in early 2023. The wider membership of the Taskforce will include key stakeholders, industrial experts and business leaders whose experience and expertise will help us unlock some of the barriers faced by households and businesses in making their homes and buildings more energy efficient.

Eco+

You sought clarification as to the nature of ECO+ funding and the level of impact on household bills as a result of the ECO+ scheme. I can confirm that ECO+ will be worth £1 billion in 2022 prices over the next three years, starting in Spring 2023. The first year will be covered by the Energy Price Guarantee. The longer-term payments approach will be determined, alongside that of other green levies, in due course. As with previous ECO schemes, the ECO+ obligation on suppliers will be set in legislation, with costs needing to be met by suppliers and falling to consumer bills as the default. Detailed proposals for scheme design have been subject to a recent consultation that closed on 23 December, with an accompanying impact statement that can be found here: <https://www.gov.uk/government/consultations/design-of-the-energy-company-obligation-eco-2023-2026>

Bulb

You asked for a breakdown of the financial costs in relation to Bulb. I refer you to the letter dated 21 December 2022 from the Permanent Secretary, who wrote to you separately to provide you with the latest financial situation for Bulb Energy in special administration.

Energy Charter Treaty

Finally, you asked for confirmation of whether the UK is intending to leave the Energy Charter Treaty (ECT). The UK has been a strong advocate for ECT modernisation to ensure it is aligned with modern energy priorities, international treaty practice and international commitments on climate change. At the Energy Charter Conference on 22 November 2022, the decision to adopt the modernised Treaty was postponed. In light of this, the UK is monitoring developments including the positions of other Contracting Parties.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Grant Shapps', written in a cursive style.

RT HON GRANT SHAPPS MP

Secretary of State for Business, Energy & Industrial Strategy