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& Industrial Strategy

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10th February 2021

Dear Chair,

Response to the Committee regarding January 28 'Achieving Net Zero' Public Account Committee hearing

During the Public Accounts Committee Hearing on the 28 January, I committed to providing the Committee with written updates on two points.

New licences in regard to the cutting of emissions in half by 2030.

On 3 September, the Secretary of State announced that BEIS would conduct a review on the future of the offshore oil and gas licensing regime. The aim of the review is to ensure the government has the information needed to plan for future oil and gas production, in a way that is aligned with our wider climate objectives.

In carrying out our review of licensing, we must acknowledge that oil and gas will continue to play an important role in meeting the UK's energy demand. This is reflected in the scenarios proposed by the Climate Change Committee setting out how we could meet our 2050 net zero emissions target. While this is the case, stopping licensing would not necessarily reduce UK or global emissions. As a net importer, any reduction in domestic gas production would lead to a requirement for increased imports. Analysis by the Oil and Gas Authority shows us that many imports have a higher average emissions intensity: the average emissions intensity of liquified natural gas (LNG) is nearly three times higher than our own domestic gas production.

We also recognise that the UK Continental Shelf is a mature and declining basin. Even with continued licensing, the Oil and Gas Authority expect total production from the UK to fall by ~40% from current levels by 2030.

These issues will be assessed alongside a range of other factors, including the Government's targets to reduce our greenhouse gas emissions; our energy transition goals; our global climate leadership ambition; and impacts on the supply chain and jobs. This analysis will inform our consideration of a spectrum of options for the UK's future licensing regime.

In the Energy White Paper, we set out some initial thinking including the possible policy option of developing the existing checkpoints in our processes before proceeding with future licensing rounds. Such a step could involve regularly seeking independent advice on how

proceeding with future licensing would impact our climate and energy goals. We will assess what added benefit such a move would bring as part of our review. We aim to publish our conclusions early in 2021.

Green Home Grant scheme and providing regional insulation.

The Green Homes Grant Voucher Scheme, launched in September 2020, is a government-funded scheme that helps domestic customers install energy efficiency and low carbon heating measures in their homes, helping them reduce their energy bills and their carbon emissions.

The scheme is open to owner occupiers (freehold/leasehold), park homeowners and landlords who let privately or through the social rented sector. Under the scheme, the government will fund up to two thirds of the cost of home improvements for all homeowners up to a maximum of £5,000. Those on certain benefits are eligible to have 100% of the cost of installations covered, up to £10,000.

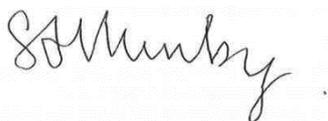
The voucher scheme is designed to incentivise those measures which deliver the greatest impact in terms of bill saving and carbon savings; the primary measures were chosen because they support jobs, are cost effective and have a large impact on carbon emissions.

The variation in climate across England, where the scheme operates, is fairly low. It has, therefore, a relatively smaller impact on heating requirements, and therefore carbon emissions, than the types of measure installed and the nature of the property itself. Varying grant value according to property location would add a level of complexity, and potentially represent a barrier to customer engagement, unlikely to be recouped by additional carbon savings.

However, our home decarbonisation strategy does recognise the importance of local differences and factors. For instance, the “Local Authority Flex” element under the Energy Company Obligation (ECO), allows local authorities to refer low income whereby up to 25% of the funding can be allocated based on criteria set with local authorities; and the Local Authority Delivery scheme (LAD) element of the Green Homes Grant scheme is being delivered through and in partnership with local authorities, meaning design and delivery can take full account of local circumstances and geographies.

I would like to thank you and your Committee for your continued engagement in the Department’s net zero work, which is among our top priorities and will continue to shape the work of the Department for many years to come.

Best wishes,

A handwritten signature in black ink, appearing to read 'Sarah Munby', is centered on the page. The signature is written in a cursive, flowing style.

Sarah Munby