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House of Lords

Tuesday, 18 June 2013.

2.30 pm

Prayers—read by the Lord Bishop of Liverpool.

Badgers

Question

2.37 pm

Asked by Lord Hoyle

To ask Her Majesty's Government whether they still plan to carry out their proposed cull of badgers.

Baroness Northover: My Lords, we are using badger culling as part of a package of measures to tackle bovine TB. Two pilots will be undertaken this summer to assess the methodology for delivering an effective cull. This year there will be intensive monitoring of the effectiveness and humaneness of controlled shooting. A panel of independent experts will review the resulting report once the pilots have concluded. Only then will Ministers decide whether the policy should be rolled out more widely.

Lord Hoyle: I thank the Minister for that reply, but will she go a little further and say more about the criteria which the Government are using? Why does she believe that it is effective, humane and safe, and when exactly will the culls take place?

Baroness Northover: The noble Lord will know the scale of the problem that we seek to tackle and the difficulty of using the various measures that we have. That is why we are using a range of measures. The open season dates take account of the breeding season, so the assessment could happen any time from the beginning of this month on. Operators will be required to follow best practice guidelines, and it will be very carefully monitored. A number of organisations are involved in this.

Lord Elton: Will my noble friend remind us how many cattle have had to be slaughtered because of bovine tuberculosis in recent years? Is the number growing and what has been the cost of compensation?

Baroness Northover: My noble friend is absolutely right to highlight this. Last year 28,000 cattle had to be put down. Through this cull, we are looking at reducing the number of badgers by 5,000, so noble Lords can see the scale of this. The cost to the taxpayer over the last decade was £500 million for the cattle destroyed, and that could reach £1 billion in the next decade.

Lord Krebs: My Lords, as the Minister will be aware, the scientific assessment published on Defra's website—I declare an interest as I was part of the

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panel that contributed the assessment—shows that culling badgers has a modest effect in reducing the incidence of TB in cattle; it is estimated to be 16%. Does the Minister agree that rolling out culling as a national policy to control TB in cattle is not really credible? Furthermore, will she tell us what assessment Defra has made of the reasons why 40% of farms in the highest-risk areas of the country do not get TB in their cattle?

Baroness Northover: The noble Lord has, of course, huge expertise, having been such a power behind the earlier, randomised controlled trials into this, which established the 16% figure that he has just talked about. That is why, faced with this enormous challenge, we are taking a range of measures, including more cattle testing, greater biosecurity and investing in research in vaccines. I noted his point about the herds that do not seem to be suffering from TB yet are in TB hotspots. I point him to the £250 million fund for new vaccination projects. It is undersubscribed. I suggest that he directs his research students to it, and I look forward to the enlightenment that he and his students bring on bovine TB, in the UK and around the world.

Baroness Parminter: Will the data from these trials, alongside the criteria against which free shooting will be judged humane or not, be published at the same time that the Secretary of State announces whether badger culling will be allowed

in future?

Baroness Northover: The Government expect to be able to announce a decision on the reports in the early part of next year, when the information is in. I can assure my noble friend that the outcome of the monitoring of the pilot culls will be published. In the mean time, of course, other measures to seek to control bovine TB will also be taken.

Lord Taylor of Blackburn: My Lords, when the animals are killed, will there will be post mortems on their carcasses to see whether they are carrying TB or not?

Baroness Northover: There will be post mortems on the carcasses.

Lord Soulsby of Swaffham Prior: My Lords, following what is now known as the Krebs trial, it is quite clear that alternate approaches are now necessary. What are some of these alternate approaches to controlling tuberculosis in wildlife and domestic livestock? This country is well known for its ability to sedate wildlife, take samples and all the rest of it. An approach based on the sedation of badgers, for example, would be a good way in which to approach this issue. One could take samples, vaccinate and all the rest of it. Has the Minister considered any of the approaches that I have mentioned?

Baroness Northover: I can assure the noble Lord that the Government have considered all approaches, welcome all suggestions and welcome research. Cattle measures are the foundation of our control programme,

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and ultimately we wish to be able to use vaccination for cattle and badgers. As I mentioned, there is much investment into research. The problems lie in the challenges with the vaccinations; the research that is being conducted at the moment has not produced a vaccine that can be used in the immediate term, either for cattle or for badgers.

Lord Knight of Weymouth: My Lords, it is vital that we find a workable solution to the spread of TB from badgers to cattle. The science strongly suggests that a cull is not workable, even if this pilot to test whether a cull is humane is successful. In Wales, an intensive effort to vaccinate badgers looks more hopeful, because vaccination does not risk spreading the disease through the perturbation effect of culling. Given that the vaccination trials in Gloucestershire are being carried out at a third of the cost of vaccination in Wales, is it not time for Defra to reduce the cost of mandatory training for vaccination, so that it is at least as cheap as the training needed to shoot badgers?

Baroness Northover: I will, if I may, follow up my previous answer. There is an injectable badger vaccine, to which the noble Lord has referred, which is being used in Wales. He will also know that this has a lot of practical difficulties. It has no effect on already infected badgers, it requires the annual trapping of new cubs to vaccinate them, and so on. We therefore look with interest at what the Welsh Government are doing. We note the enormous cost of that and are aware that an oral badger vaccine, if there was one, would indeed be quicker and easier to use. I therefore refer back to the noble Lord, Lord Krebs, and his students and hope that there will be further research.

Gaza

Question

2.46 pm

Asked by **Baroness Tonge**

To ask Her Majesty's Government what discussions they have had with European partners regarding the right to security for Palestinian children living in the Gaza Strip.

The Senior Minister of State, Department for Communities and Local Government & Foreign and Commonwealth Office (Baroness Warsi): My Lords, the EU Foreign Affairs Council discussed the situation in Gaza on 10 December 2012. In addition, officials from the UK representative to the EU and our consulate-general in Jerusalem regularly discuss the situation in Gaza with their European counterparts. Those discussions cover the security and human rights of Palestinians living in Gaza, including children. Our consul-general in Jerusalem visited Gaza with other EU heads of mission on 26 February.

Baroness Tonge: I thank the Minister for that response. Is she aware that 1,519 Palestinian children have been killed by Israeli action since September 2000, 109 of them during extrajudicial assassination attempts, and

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that last year alone 43 children were killed, 18 of them under nine years old? Is she also aware that over 10% of under-five year-olds in Gaza suffer from malnutrition and stunting, and that a child in occupied Palestine as a whole is five times more likely to die before the age of five than an Israeli child? I am anxious to know from the Minister whether the plight of these children and the illegal occupation of Palestine are now to be forgotten as the West concentrates on the tragedy unfolding in Syria.

Baroness Warsi: The simple answer to my noble friend's question is no. I am aware of the statistics that she quotes and, indeed, have responded to the many Written Questions that she has submitted on this issue. The UK is deeply concerned by the humanitarian situation in Gaza, which is both a tragedy and unsustainable. It is for that reason that the Foreign Secretary has made it clear that the Middle East peace process is a priority for 2013. Noble Lords are aware that I have previously said from this Dispatch Box that this is an important—a decisive—year. That is why we continue to support Senator Kerry in his efforts—he has made five visits, I think, in the past two months—to move this forward.

Lord Davies of Stamford: My Lords, is it not the case that, any day that it wished, the Hamas regime in Gaza could lift the blockade and bring to an end the terrible purgatory under which the people of Gaza have been living for so long, simply by

following the example of the Fatah Administration in the West Bank and accepting the quartet principles, including abjuring violence? Should we not be urging the Hamas regime to do just that?

Baroness Warsi: I hear what the noble Lord says but I think that he would agree that nothing in the Middle East peace process can be resolved by one group alone or by addressing only one issue, and that nothing there is simple.

Lord Wright of Richmond: My Lords, have the Government taken note of the statement yesterday made by a Minister in Mr Netanyahu's Government calling on Israel to annex as soon as possible all the territories not handed over to the Palestinian Authority in Oslo, and also describing the two-state solution as dead? How do Her Majesty's Government propose to react to that?

Baroness Warsi: Her Majesty's Government's position on this matter is very clear. We of course continue to support a negotiated settlement, leading to a safe and secure Israel living alongside a viable and sovereign Palestinian state based on 1967 borders with agreed land swaps, with Jerusalem as the shared capital of both states and a just, fair and agreed settlement for refugees. That is HMG's position.

Baroness Falkner of Margravine: Can the House look forward to a statement on the G8 that addresses the issue of Israel/Palestine, given that my noble friend says that the peace process is a priority for the Government in 2013? Can she tell the House what discussions the

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Government are having within the EU, as we heard in media reports of the EU wishing to support Palestinian statehood in UN agencies, should there be no progress in 2013?

Baroness Warsi: My noble friend always comes at these matters with a huge amount of knowledge. I think that it would be inappropriate for me to pre-empt what may be in a G8 statement but I understand that discussions are ongoing. I think my noble friend would agree that, although of course the EU has a position on this matter, ultimately it will be the United States that is able to move this forward. With a President in a second term, the US is presented with just such an opportunity, and we are seeing positive signs from it.

Lord Turnberg: My Lords, the situation in Gaza is tragic but, as always, there are two sides to every story. Is the noble Baroness aware, for example, of the very large number of Gazan children sitting in Israeli hospitals with their families and receiving treatment for their severe cardiac disease and cancers? Is she also aware that Hamas tends not to publicise this and, indeed, has tried to stop it in the past?

Baroness Warsi: I agree with the noble Lord that there is a very human story. Nothing is as clear as the top headlines, and of course there are fantastic stories of the two communities working together in the way that the noble Lord describes.

Baroness Afshar: My Lords, are the Government aware that abuse of human rights by one Government in the Middle East being disregarded and tacitly supported by the West makes other transgressions against human rights by other Middle Eastern countries the norm, and that therefore it is dangerous for the whole of the Middle East?

Baroness Warsi: I agree with the noble Baroness. The commitment to human rights must be the same for every member state. That is why the Human Rights Council has the concept of the universal periodic review, under which every state presents itself to other nations and is tested against its human rights record. We are concerned that Israel has not engaged with the universal periodic review. We see some signs of movement but we urge Israel to come back, like the other member states, and to engage with the UPR.

Education: Sex and Relationship Education

Question

2.52 pm

Asked by **Baroness Jones of Whitchurch**

To ask Her Majesty's Government what steps they are taking to ensure that all children have access to sex and relationship education, focusing particularly on the responsible use of the internet and social media.

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The Parliamentary Under-Secretary of State for Schools (Lord Nash): My Lords, sex and relationship education is compulsory in maintained secondary schools. As part of that education, we expect that pupils will learn to develop positive values and a moral framework that will guide their decisions, judgments and behaviours in all areas of life. The Government agree that responsible use of the internet is very important. We are introducing e-safety as part of the national curriculum in primary schools and this will be reflected in the new computing programmes of study at both primary and secondary levels.

Baroness Jones of Whitchurch: My Lords, I thank the Minister for that reply. I am sure that we all share the growing alarm at the evidence of young people using illegal internet pornography sites to learn about sex and then attempting to replicate it, including using social media, to put pressure on young girls to act out those roles, sometimes with absolutely devastating consequences. Obviously, this needs a cross-departmental approach in, for example, persuading the internet providers to behave more responsibly. However, does the Minister accept that the department needs to give more urgent leadership to schools on this matter? Does he, for example, accept that sensitive and personal issues around internet safety cannot be taught effectively in IT classes and that it needs specifically trained teachers? Does he also accept the need for all young people, from an early age, to learn about peer pressure and how to resist it, as well as how to have a positive body image, and to understand what makes a healthy relationship so that they can avoid exploitation and abuse in the future?

Lord Nash: I certainly share the concern of the noble Baroness. Young people should not be using pornography to learn about sex. Pornography does not place sex in the context of relationships. I can assure her that the Government are taking a very firm stance on this issue.

We have been working across the department since 2010 with internet businesses, charities and other experts through the UK Council for Child Internet Safety to find the best ways to minimise children's access to potentially harmful online content and very good progress is being made. Trained teachers should be able to teach issues of internet safety effectively in computing classes, and there will be resources to support them in this. There are also organisations—such as CEOP, the PSHE Association and Teen Boundaries—that can provide resources and advice. However, I agree that we need to improve the focus on this area through teaching, schools and ITT providers, and I agree with her last point that the statutory guidance on sex and relationship education makes absolutely clear that schools must focus on these areas.

Baroness Walmsley: My Lords, is my noble friend aware of the link that Ofsted identified in its report last year between bullying—in particular, internet bullying—and the success of a school's PSHE programme? Given that link, and given the duties that schools, as public bodies, have in relation to the Equality Act,

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does not my noble friend think that PSHE should be compulsory in the national curriculum and not just advised?

Lord Nash: I know that the noble Baroness and I appreciate the importance of PSHE, but it is not this Government's intention to make it compulsory. This Government trust schools and teachers to tailor their PSHE support to the particular circumstances in a school, which vary enormously. There are plenty of resources to enable them to do this, and all good school have an excellent PSHE programme.

Baroness Massey of Darwen: Does the Minister agree that giving advice about where to get help is important in health and relationship education? What support is being given for access to school counselling and to organisations such as Brook and the FPA, which give advice to young people? I declare an interest as president of Brook.

Lord Nash: SRE guidance makes clear that pupils should know how to access support, counselling and advice, and we will expect all schools to ensure that pupils are aware of the available health services and expert organisations, such as Brook and the FPA. We acknowledge the value that these organisations contribute.

Baroness Farrington of Ribbleson: My Lords, will the Minister go a little further in explaining why the Government believe that, in terms of the curriculum, a very heavy top-down approach is okay in teaching history, but PSHE is seen as optional? Surely the Minister could talk to, for example, the Lords spiritual about the way that church schools in counties such as Lancashire view PSHE as being even more important than the bits of detail in history education?

Lord Nash: I am aware that church schools are very good at pastoral care. However, this Government take the position that being a child in the modern world is a very complicated situation. For some children in some schools, gang issues are very important. In other schools it may be forced marriages. We trust our teachers to tailor their advice to the particular circumstances of their pupils.

Baroness King of Bow: I understand the Minister to be saying that he wants to put trust in schools, and I agree with that. Will he also trust the experience of young girls? One third of British girls between 16 and 18 experience unwanted sexual touching at school, and 80,000 British women a year are raped. Will the Minister not agree, therefore, with the view that this subject should not be optional and that it must be studied at school? At the very least, will he agree to meet with me and members of the Everyday Sexism Project, which has documented the scale of this terrible problem?

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Lord Nash: Nobody wishes to deny the importance of the points that the noble Baroness makes. I will be delighted to meet her, and I would like to understand more about this issue.

Baroness Brinton: My Lords, given that, it seems, everyone who has asked a question today agrees that teachers are the best people to deliver specific sex and relationship advice to their pupils, when were the guidance notes on best practice in schools updated?

Lord Nash: The most recent guidance is from Ofsted, which recently introduced a very good report. Part B of that report contains some excellent recommendations on best practice. They flag up a number of very useful resources available to teachers, including the Sex Education Forum.

Kenya: Kenyan Emergency

Question

3 pm

Asked by **Lord Steel of Aikwood**

To ask Her Majesty's Government what discussions they have had with the Government of Kenya following their decision to compensate victims of torture and ill treatment during the Kenyan emergency.

The Senior Minister of State, Department for Communities and Local Government & Foreign and Commonwealth Office (Baroness Warsi): My Lords, the UK high commissioner to Nairobi raised the prospect of a settlement with senior members of the Kenyan Government in April and May, highlighting our wish to promote reconciliation. This included

discussion with President Kenyatta during his introductory meeting on 30 April and with Foreign Secretary Mohamed on 30 May.

Lord Steel of Aikwood: My Lords, I welcome the Statement that was made in the other House but not in this one. In view of the fact that the High Court knocked on the head the argument of successive Governments that this was a matter for the Kenya Government, will the Minister say whether there has been any reaction from the Kenya Government since the welcome Statement was made?

Baroness Warsi: I am not sure whether there has been any reaction but it would be inappropriate for us to comment on their behalf as to what their reaction should be. They, of course, were given prior notice of the announcement and we have secured their buy-in for a memorial to the victims.

Lord Morgan: My Lords, is it not the case that information on these terrible atrocities was concealed by the custodians of the public archive over many decades? Will the Minister kindly, on behalf of the Government, make some pronouncement on the responsibility of successive British Governments for this appalling falsification of our history?

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Baroness Warsi: I think the noble Lord will accept that by acknowledging the wrongs and expressing deep regret for what happened during that period, the Government have gone much further than previous Governments. I am not aware of the answer to the noble Lord's specific question on archives but if there is an answer I will certainly write to him.

Lord Hamilton of Epsom: Does my noble friend accept that during the emergency tens of thousands of Africans were killed by the Mau Mau, many of them for not joining the Mau Mau? Are the Kenya Government doing anything to pay compensation to the victims who were tortured by the Mau Mau?

Baroness Warsi: My Lords, I do not intend to answer this question with a view to reopening the debate about the rights and wrongs of that period. Nor do I feel that it is appropriate for me to comment on how the Kenyan Government should respond to this.

Lord Luce: My Lords, since the Government have decided to contribute to a memorial in Nairobi to the victims of torture during the Mau Mau emergency, would it not be best to put this whole historic tragedy behind us by contributing to a memorial to all those who suffered—Africans and Europeans alike—during that emergency?

Baroness Warsi: I know that the noble Lord comes at this with great experience. If I am correct, he was there during the emergency period. It is something that I can take back but at this moment the commitment that has been made has been for this particular memorial.

Lord Anderson of Swansea: My Lords, has this welcome decision led to any similar claims from other victims of our colonial past—sometimes glorious, sometimes less glorious—and do we anticipate, following the precedent of this decision, any similar claims?

Baroness Warsi: It is important to understand that this was not compensation agreed: it was an out-of-court settlement in a specific case involving specific claimants. I do not believe that it sets a precedent but, of course, anyone who believes that they have a case can bring it.

Lord Triesman: My Lords, I share the views of many noble Lords about this very regrettable and sad part of our history. Noting that a successful election has been authenticated by all the judicial bodies in Kenya, does the noble Baroness feel that this might be a moment for a deeper and more significant conversation with President Kenyatta, with a view not just to rectifying what went wrong in the past, which we plainly must do, but to building a much more successful future with that country?

Baroness Warsi: I agree with the noble Lord; it is a moment for the relationship to move on. We have a huge amount of bilateral interest, including our commitment to regional security. Kenya is, of course, a vital partner for us on Somalia, providing both

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troops and a home for refugees from Somalia. In terms of development, we have a relationship that will probably amount to about £143 million this year. Some 20,000 Brits live in Kenya and 200,000 Brits travel to Kenya. We have a broad relationship and it is important that we can now focus on that.

Child Support and Claims and Payments (Miscellaneous Amendments and Change to the Minimum Amount of Liability) Regulations 2013

Motion to Approve

3.05 pm

Moved by Baroness Stowell

That the draft regulations laid before the House on 20 May be approved.

Relevant document: 2nd Report from the Joint Committee on Statutory Instruments, considered in Grand Committee on 12 June.

Motion agreed.

Legal Aid, Sentencing and Punishment of Offenders Act 2012 (Referral Fees) Regulations 2013

Motion to Approve

3.05 pm

Moved by **Lord Newby**

That the draft regulations laid before the House on 21 May be approved.

Relevant document: 2nd Report from the Joint Committee on Statutory Instruments, considered in Grand Committee on 12 June.

Motion agreed.

Offender Rehabilitation Bill [HL]

Order of Consideration Motion

3.05 pm

Moved by **Lord Ahmad of Wimbledon**

That the amendments for Report be marshalled and considered in the following order:

Clauses 1 and 2, Schedule 1, Clause 3, Schedule 2, Clauses 4 to 7, Schedule 3, Clauses 8 to 12, Schedule 4, Clause 13, Schedule 5, Clauses 14 to 17, Schedule 6, Clauses 18 and 19, Schedule 7, Clauses 20 to 22.

Motion agreed.

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Procedure of the House

Motion to Agree

3.06 pm

Moved by **The Chairman of Committees**

That the 1st Report from the Select Committee (*Backbench Questions for Short Debate: Grand Committee Sitting Hours*) (HL Paper 19) be agreed to.

The Chairman of Committees (Lord Sewel): My Lords, this report follows on from the decision on Back-Bench debates taken by the House in April. At that time, the Leader of the House proposed an increase in the number of Back-Bench QSDs. The report enables this intention to be implemented. It recommends that on days when a Grand Committee sits solely to consider Back-Bench Questions for Short Debate, the duration of such sittings should be extended from four hours to five hours. I beg to move.

Lord Foulkes of Cumnock: Can the noble Lord give us an absolute assurance that unlike the Procedure Committee's report in the last Session, this will not have unintended consequences?

The Chairman of Committees: I think the logical problem at this stage is that I can give no guarantee that it will have unintended consequences, because they will by definition be unintended.

Lord Geddes: Did the Procedure Committee give any consideration to extending the time above one hour if, for instance, more than 20 people were down to speak on a particular QSD, thereby limiting those Back-Bench speeches to two minutes?

The Chairman of Committees: I appreciate the noble Lord's point, but on this occasion the Committee did not give specific consideration to that. However, I am aware that speeches are increasingly being limited to a very short period of time indeed.

Motion agreed.

Energy Bill

Second Reading

3.08 pm

Moved by **Baroness Verma**

That the Bill be read a second time.

The Parliamentary Under-Secretary of State, Department of Energy and Climate Change (Baroness Verma): My Lords, this Energy Bill comes at a critical time for the country. Electricity demand is expected to double over the next 40 years, but around a fifth of the generation capacity that was available to us in 2011 is set to close over the coming decade, because power plants are either too old or too polluting. At the same time, we

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need to meet our obligations to reduce carbon emissions, as agreed in the ground-breaking, cross-party Climate Change Act 2008.

To achieve both security of supply and decarbonisation, we need to attract substantial investment in our energy infrastructure, particularly in low-carbon technology such as renewables, nuclear and low-carbon fossil fuels such as gas. We need to do this at a price that consumers can afford by helping to keep costs as low as practical and making sure that the market works for the people who pay the bills.

The Energy Bill will enable us to do this. It is a Bill for growth, and one that will support as many 250,000 jobs in the energy sector alone. It will provide the security of energy supply that British consumers need. It will help to reduce electricity demand and to deliver affordable energy for consumers, with fewer, simpler domestic tariffs. It will ensure that we meet the ambitious climate and renewable targets set out in the Climate Change Act 2008, enabling the Government to set the world's first legally binding target range for power-sector decarbonisation.

The Bill received strong support at Third Reading in the other place, commanding the largest majority in a vote at Commons Third Readings since the coalition came to power. This sends a clear message to investors, building confidence in the financial, legal and, importantly, political frameworks of electricity market reform. I hope that we can express an equally strong consensus in this House, sending the message that the whole of Parliament is united behind the Bill.

I extend my gratitude to the noble Lord, Lord Oxburgh, for his expert chairmanship of the Lords informal scrutiny group, which reconvened this year. I am extremely grateful to noble Lords who have attended the group's meetings and contributed so eloquently, and to other noble Lords who met me separately. I look forward to their continued engagement in debates over the course of the Bill.

Let me turn to some key provisions in the Bill. Today, I want to set out the main proposals in the following areas. First, on decarbonisation, we are bound by law to cut emissions across the whole UK economy by 50% by 2025. The Energy Bill will help us to achieve this. The contracts for difference framework will offer long-term contracts for low-carbon technologies, giving investors confidence, and will enable renewables, nuclear and carbon capture and storage the chance to compete against conventional power stations. Importantly, this will be backed by the tripling in support for clean energy technologies by 2020.

We know that there are differing views in the setting of a 2030 decarbonisation target range for the power sector, and I would like to explain the Government's position. By legislating now to enable us to set a decarbonisation target in 2016, we will be able to take into account the level of economy-wide emissions reductions that will have to be achieved by 2030 under the fifth carbon budget. We want to ensure that we are considering the pathway of the whole economy towards our 2050 target, rather than setting a sector-specific target in isolation, making sure that we minimise costs to both the economy as a whole and the bill payer.

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We have also committed to providing further clarity up to 2030 by issuing guidance to National Grid on an indicative range of decarbonisation scenarios for the power sector to 2030, consistent with the least-cost approach to achieving our overall 2050 carbon target. No other country has yet set a power-sector decarbonisation target for 2030; the UK is the world leader.

This is not the only way in which we are leading. The Government's decision on the UK's position for the EU's 2030 greenhouse gas target is another good example of our strong position. In arguing for a 50% reduction target in the EU, the UK has taken the most ambitious position of any member state. It is therefore important that we consider the wider European context as well as the level of UK economy-wide emission reductions to ensure that we do not pre-empt decision-making and agreements in the EU. However, it is important that we continue to take a leading role in that process and push for change, which we are doing. This Government are leading the way on climate change action.

Let me turn now to the proposals for electricity market reform. Electricity market reform is not a permanent intervention in the market. It is designed as the first step on the path towards sustainable and competitive low-carbon electricity generation in the UK. It will help to limit, and in the long term break, our dependency on rising gas prices globally, the main driver of increases in electricity bills.

We will send out a clear signal to investors that the UK is open for business, attracting the £110 billion investment that we need in this decade alone to replace our ageing energy infrastructure with a more diverse and low-carbon energy mix. The levy-controlled framework will provide £7.6 billion a year by 2020 to support low-carbon technologies, including infrastructure projects that are ready to go now.

The introduction of provisions for contracts for difference and a capacity market will transform the energy market to give investors the certainty they need. I will therefore spend a little time outlining how these important mechanisms will operate. First, the contracts for difference—CFDs—will give long-term electricity price stability, providing developers and investors with increased revenue certainty. Generators will receive a fixed price level—or strike price—for the low-carbon electricity they produce. When the market reference price is below the strike price, the generator will receive a top-up payment from suppliers. When it is above the strike price, the generator must pay back the difference, meaning that consumers are protected.

The Government listened to points made in Commons Committee regarding the nature of the CFD counterparty and in response clarified the drafting of the Bill at the Commons Report stage, making the policy intention of creating a single counterparty more explicit. The Government-appointed single counterparty to these contracts will sign and manage the contracts over their lifetime and collect money from suppliers to meet the payments due to generators under the contract. Subject to Royal Assent, we intend to publish final strike prices for renewable projects in December 2013 and to issue the first contracts for difference in 2014. I know

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there have been calls to see the draft strike prices sooner and I am pleased to say that the Government intend to publish the draft EMR delivery plan in July.

The Bill also introduces provisions for a capacity market to ensure that there is sufficient reliable electricity capacity to meet peak demand. This will provide all capacity providers with an upfront steady payment to ensure that demand is met. Operators will not be dependent on volatile revenue from the energy-only market and consumers will be safe in the knowledge that there is a secure energy supply. At the Report stage in the Commons, we introduced provisions to enable electricity demand reduction to be part of the proposed capacity market, as well as the powers to take forward a pilot. Greater energy efficiency will help to reduce our carbon emissions, help to reduce demand at peak times—bolstering our security of supply—and help to reduce consumer bills.

The electricity demand reduction provisions in this Bill will incentivise the industry to deliver these benefits. Working through the capacity market will allow energy-saving projects to compete with power stations for new investment for the very first time. The Bill can incentivise permanent reductions when demand is at its peak, allowing for a more direct trade-off between generation capacity and demand reduction. It will also bring permanent demand-reduction projects into the same mechanism as shorter-term demand-side response measures to enable more effective, joined-up delivery.

In order to guarantee certainty for investors and industry, these new EMR mechanisms—contracts for difference and the capacity market—will be supported by a clear institutional framework. The Government will maintain responsibility for key policy decisions on contracts for difference, such as strike prices and on the capacity market, taking wider economic and sustainability impacts into account. We believe that the system operator, National Grid, is best placed to administer the capacity market and allocate contracts for difference, given its existing role and expertise in the UK energy market.

In response to stakeholder concerns, last year we worked with Ofgem to assess any potential conflicts of interest and published our findings in April. The report sets out that the risk of any conflicts of interest arising is low, but we have proposed a package of proportionate measures to ensure stakeholder confidence in the EMR delivery body. Ofgem will oversee the performance of the system operator and will continue its independent regulation of the market to protect the interests of consumers.

We are committed to helping independent generators secure a bankable route to market for their power as part of our wider goal of increasing competition in the electricity market. We understand that lack of liquidity is an issue for independent generators and suppliers, particularly in the forward markets. We recognise that improving liquidity would reduce barriers to entry, aid security of supply and increase the robustness of the reference price for CFDs. We support Ofgem's objectives for reforms to the wholesale electricity market and we welcome the announcement last week of the measures it intends to pursue. However, given the importance of the issue and in the absence of significant

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improvements, government intervention may be necessary, and accordingly, we are proposing backstop powers in the Energy Bill to promote market liquidity. The Bill also includes powers to intervene to support investment by improving the route to market for independent generators for the sale of electricity. Although the CFD will reduce the risk for independent generators, we believe that it is important to be able to act if necessary.

We remain committed to encouraging a more diverse and competitive energy market and there are a number of related areas within the Bill that we will hope to consider further. They include giving greater certainty to independent renewable generators and, as indicated at Commons Report, we will continue actively to consider raising the threshold for the small-scale feed-in tariff scheme from 5 megawatts to 10 megawatts.

The support for electricity market reform seen at Commons Third Reading has been echoed by industry and the investment community. While we are advancing our reforms, we want to ensure that investment decisions are not postponed in the mean time. The Bill enables the Government to enter into investment contracts—an early form of contract for difference—with developers of low carbon generation. These will be transferred to the CFD counterparty once it is established and regulations to collect payments from suppliers are in force.

The Bill also includes transitional arrangements for renewables as we introduce the contracts for difference in 2014. During the transition period between the introduction of the CFD and the closure of the renewables obligation, we will allow new generation to make a one-off choice between the two mechanisms in order to minimise any hiatus in renewables investment. For existing generation, the Bill contains measures to give confidence to generators during the final years of the renewables obligation. Fixed-price certificates will be issued in place of the current renewables obligation certificates and there will be an obligation on the purchasing body to purchase those certificates at a fixed price.

The emissions performance standard is an important supporting measure of EMR, providing a regulatory backstop on the amount of emissions that new fossil fuel power stations are allowed. The EPS reinforces our planning policy that any new coal-fired power station must be equipped with carbon capture and storage. The Bill sets out the statutory emissions limit at 450 grams of carbon dioxide per kilowatt hour—about half the level of emissions from unabated coal plant. The level is above that associated with new gas plant, as we recognise the role that it will have in providing reliable and flexible back-up generation as we transition to a low-carbon electricity system. Further certainty for new investors in gas is also given through the grandfathering of the limit to 2045.

In the light of our review of the role of Ofgem, the independent regulator, we are introducing a statutory strategy and policy statement. This will provide greater clarity and certainty about the strategic context of Ofgem's role and clarify the demarcations between the roles of the Government, the regulator and other bodies. The Bill will further empower Ofgem to require

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energy companies to compensate consumers who suffer a loss as a result of a company's breach of regulatory requirements. At present, Ofgem has the power to fine companies, but these fines are paid into the Consolidated Fund, so the consumer will not directly benefit unless the company offers redress of its own volition. Currently, Ofgem has no power to compel energy companies to compensate consumers. We are rectifying this situation through the Bill and securing a fairer deal for customers with provisions for a new enforcement power for Ofgem to require energy companies to provide redress.

We are also giving legal backing to Ofgem's plans to ensure that consumers get the best deal by making the tariff system simpler and clearer for consumers. Our measures will help customers get the best deal by cutting the confusing array of tariffs by limiting suppliers to offering customers four core tariffs for each fuel and meter type, providing them with clear information about their tariffs to help them to make a more informed choice, putting them on the cheapest tariff in line with their preferences, and promoting competition by creating a market where suppliers are working hard to attract and keep their customers.

A range of other measures in the Bill deserve more attention than I can give them in the time available. Notably, they include measures to establish the Office for Nuclear Regulation as an independent statutory body with financial and organisational flexibility. There are also measures to allow the sale of the government pipeline and storage system and to enable offshore generators to build and test transmission assets for exporting their power with confidence that they are acting within the law. The Bill also contains two minor provisions regarding fees.

As I stated at the beginning of my address, this Bill arrives from the other place with overwhelming cross-party support. I look forward to a swift passage through this House to enable these important and urgent measures to pass into law and bring about a transformation of our electricity market. We are charged with a great responsibility to ensure the security and affordability of energy for many generations to come. Nevertheless, we are also presented with a significant opportunity to help Britain's economic recovery through the creation of jobs and the delivery of a more stable and predictable energy market, as well as reinforcing our position as a world leader in tackling climate change. With that in mind, I commend this Bill to the House.

3.25 pm

Baroness Worthington: My Lords, I thank the Minister for addressing us today and for introducing the Second Reading of the Energy Bill. I have been working in climate and energy policy for well over a decade—at UK and EU level. Energy is a fascinating subject. Much like the Mandelbrot set, its many layers of complexity seem completely endless. I keep uncovering whole new areas of mind-bending detail to get my head around, most recently in relation to nuclear fusion after an engrossing visit to Culham in Oxfordshire.

I have studied energy policy in a number of different roles: for an environmental NGO, for a power company, and as a civil servant. Over the years, I have come to the firm conclusion that energy policy is an area where we need the creativity and drive of markets governed

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by careful and well-designed regulation to guide market forces. What we do not want is for energy to become a political football, confusing and destabilising the market. We also do not want civil servants trying to second-guess what an economically optimised energy system should look like. Sadly, we begin this discussion of the Energy Bill with exactly those two sets of circumstances dominating—policy is becoming highly politicised and civil servants are set to start micromanaging almost every aspect.

There is a public spat going on between two different factions of the coalition Government, between those who believe that climate change is either not real, or that tackling it is too expensive to be bothered about, and those who believe that the vast majority of scientists are correct and that we have a moral duty to do something urgently to address the problem in ways that boost rather than damage the economy. The schism is so apparent that our new part-time Energy Minister, Michael Fallon, in an interview with *The House* magazine, refused to answer a simple question about his views on climate change, dismissing it as "theology". There is a moral aspect to climate change and we will hear today from two eminent theologians. However, I have met many climate scientists, most recently the noted Oxford academic Myles Allen. Theirs is not a profession of faith or belief, but the careful study of facts and evidence and the articulation of future scenarios that accord with those facts.

Here are a few of them. The concentrations of carbon in the atmosphere, at around 400 parts per million, are higher than at any other time over the past 3 million years. Already our world has warmed on average by 0.8 degrees since the 1900s. A global average of this much equates to far higher levels of warming at the poles. The impacts of these levels, on, for example, the melting of the arctic sea ice, match the most pessimistic forecasts. They are happening at the fastest rate that has been predicted. Land-based temperature recordings, which some may cite today as evidence that we do not need to act, have levelled off for the best part of the past decade. However, ocean temperatures have not. The ocean is likely to dump part of its increased heat out on to land during the next large El Niño effect, which has occurred roughly once every decade and which could happen again at any time. Then land-based temperatures will once again rise. It would be reckless and arrogant for this Government—or indeed this Parliament—to ignore the scientific evidence and to try to change direction in terms of what is one of the over-ridingly important goals of energy policy today.

This is not a Bill solely about climate change; it is a Bill about our energy future. It is about how we maintain our energy security, now that North Sea oil and gas, just four decades after their discovery, are now rapidly declining. It is about the role nuclear power can play in the future and how confidence in the industry can be restored today. It should also be, first and foremost, about consumers and helping to ensure that they are protected through regulation that maximises competition and transparency in the market.

In addressing the trilemma of energy policy—how to keep the lights on without destroying our environment but making sure we can afford it—the Government

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could do one of two things. They could set clearly defined outcomes that the market must deliver or attempt to renationalise energy policy with almost every aspect dictated by government. Strange though it may sound coming from a Labour Front Bench, I strongly believe that it is the former we must do and that this Government are about to do the latter.

The Bill as it stands is a curious mixture of excessively wide enabling powers that enable the Secretary of State to do virtually anything he or she wants with anyone, at any price; or, if he or she so chooses, to do absolutely nothing. If this were not political enough, there are now some extra provisions to allow for even more finely grained politicisation. Targets can be set for particular technologies and for particular geographic locations. If you do not like wind farms, you can either ensure that the negotiations on the contracts are so protracted that they never get signed or, it seems, and to be on the safe side, set targets determining where they will or will not be accepted.

In terms of restrictive detail, when the powers to be taken are not enabling, they are disabling. The Secretary of State must not set a decarbonisation target until at least 2016, while the energy performance standard levels are fixed until at least 2044. The mix of sweeping generalisations with occasional restrictive detail results in an inelegant and potentially dangerous Bill, for which it is impossible to predict all the consequences, intended and unintended.

As the Government cannot agree on the overall purpose of this Bill, they have been incapable of presenting clear and concise legislation that can guide the market. They propose instead to take the reins of almost every aspect of investment decisions in the coming years. My great fear is that those seeking to take control are not up to the task. I imagine that the department is now realising, as I have, that the energy market is so complex that a single Secretary of State, overseeing a small department with a small number of civil servants, who are necessarily divorced from the real world, cannot and should not be deciding who builds what, when and on what terms—even if they enjoy the oversight of the great minds of the Treasury. The question I am sure that your Lordships are all formulating is: if this is the case, what would Labour do differently?

First, we would be unequivocal about the fact that, in keeping with the advice of the Committee on Climate Change, we would seek to decarbonise the electricity generation sector within the next two decades. We would set clear targets to achieve that outcome—targets that we know have the support of industry and civil society. Such targets need not dictate precisely how this outcome is achieved but give the market confidence that this is the path we are on and that we intend to stick to it. Secondly, to keep prices affordable, we would legislate to require greater liquidity and competition in electricity generation and create a new energy regulator with real teeth. Thirdly, to keep the lights on, we would focus on providing incentives to encourage more active participation in the management of demand, reducing peak demand and helping to soak up excess electricity in times of high supply. If necessary, we would also take powers to enable interventions that support National Grid in managing supply and demand.

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That is what we would have done; it is not what the Government are doing. This is primarily because the impetus for this Bill was not to solve the energy trilemma. It was to provide EDF Energy with what it believed it needed in order to build Hinkley Point power station. Having decided on that outcome, the department has now had to concoct ever more complex layers of interventions to try to square the reality of the privatised market and state aid rules. A new reactor at Hinkley, if it can be delivered at reasonable cost, is a good idea. I am not disputing that. I am, however, deeply concerned about the contortions and complexities we are now having to add to an already complicated market in order to lure one company into building one project—a project that will not be ready until the middle of the next decade and that cannot help to address any security of supply concerns in the interim.

In an ideal world we would not be starting from here, but here we are and we must make the best of it. During the Commons stages we raised other important issues that we will continue to press in this House, such as the need to ensure adequate competition in the generation market so that independent generators can gain access. I was encouraged to hear the words of the noble Baroness today in that respect. We need to encourage community ownership of energy projects, which I am again very grateful for having received mention today. We also need much clearer regulation of existing fossil fuel stations, giving clarity about their closure schedule to spur investment in carbon capture and storage.

The irony is that this Energy Bill has helped to exacerbate the investment hiatus that the Government have created and that they should have been seeking to address. If, in the future, the Government will be paying everyone to build or operate plant then no company can risk moving ahead with plans until the details of these payments are clear. As a result, investment in our energy infrastructure has plummeted under this Government. This cannot be allowed to continue and Royal Assent must be achieved by the end of this year.

Let us aspire to signing into law something that creates stability in the market, so that we can stop the almost yearly cycle of energy Bills appearing before us and investors can get on with the job of addressing the challenges now inherent in providing us with energy. As we come to consider this Bill in Committee, some of the much sought-after detail should emerge from the department and we will be in a much better place to try to assess the impact of its many provisions in totality. The draft delivery plan, for instance, which is due to be published in mid-July, will include more details of strike prices for renewables, though regrettably not for nuclear or CCS, and much needed information about the Treasury's levy control framework which will interact with provisions in the Bill in a very important way. It may sound like a lot of money but unless anyone wants to invest it will merely be a promissory note that actually may restrict investment in certain sectors and technologies.

I hope the Minister will agree that the more detail we have in front of us the better placed we will be to provide proper input. Can she give us an assurance that the department will release further information in

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good time so that it will inform our discussions? I am hopeful that we might be able to agree to consider relevant clauses in

the Bill at the end of Committee stage rather than at the beginning. This will enable us to consider those clauses with the information in the draft delivery plan in front of us. This puts a lot of emphasis on to the department issuing its information before the Commons rises on 18 July. I hope that that will be in the public domain before 18 July.

There are things we do not like in the Bill, things we would have done differently, and things we would like to have seen given a higher priority; but we are not opposed to the broad objectives. Although lots of the detail is still missing, we are committed to restarting and increasing investment in low-carbon generation and, on those grounds, we do not seek to oppose the Bill.

We will have an excellent debate today. I am greatly looking forward to the contributions of noble Lords from whom we will have the pleasure of hearing. The number of speakers and the breadth and depth of their knowledge and experience is testament to the central importance of this issue. I am honoured to be a Member of this House and to be leading for the Opposition as we embark on the process of doing what we do best—scrutinising legislation in an environment at one remove from the cut and thrust of daily politics. In this House, we are able to take a long view and to take the necessary time to prevent poorly thought-through plans being pushed through and that is what we will do. We will seek to work constructively to improve the Bill. I very much look forward to the weeks and months ahead as we turn our attentions to this most important of subjects.

3.38 pm

Lord Teverson: My Lords, I thank my noble friend the Minister for all the work that she, together with the noble Lord, Lord Oxburgh, has undertaken in preparing us for the moment when the Bill finally arrives in this House, and for all the teach-ins and the work that we have had to get here. One of the things that strikes me most is how great it is that this Bill has arrived. It was December 2010 when the original consultation paper on electricity market reform was published. Over the two and a half years since then, queues of industry suppliers, generators, NGOs and trade associations have tried to bend the ears of a large number of Members of the House to give us their views on this very complex legislation. We are here, and we can start this process in the Lords.

The reasons why this Bill is here are important, and they are important to go through. They include the future capacity to generate electricity for our economy and our homes and the security of supply, which is made more difficult by our own resources running out within our own geographical area. They also include keeping down costs. So often you hear about the subsidies for green energy adding to costs, yet we know that over the years 2004-12 the price of gas for households doubled from £400 to £800, and that was a sector that had no levy control framework. Electricity also went up by a huge amount, although by much less than gas, because of fossil fuels.

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It is very difficult to see the future, but I am certain that with renewable energy, and in the longer term maybe even with new nuclear, with its low marginal fuel costs—zero, in fact, for wind and solar—we will ensure that our prices are far less dependent on unpredictable and expensive fossil fuels in future. The Department of Energy and Climate Change suggests that by 2020 energy prices will be just under £100 less than they would have been afterwards. To me, given the past performance of energy prices, that is absolutely credible because it is based on historical evidence. That is important for us to understand.

The real issue of the Bill is climate change. I congratulate the noble Baroness, Lady Worthington, on her description and her attack in that area. She is right that a major part of the Bill is to ensure that our electricity supply industry is not dependent on unabated fossil fuels into the distant future. It is of great concern to me that it is often not realised more broadly that coal now produces 42% of our energy generation. Once again it has replaced gas as the major fuel for electricity generation, yet it is a fuel that produces something like double the carbon emissions for every unit of energy than the cleanest gas generation. We have gone through the limit of 400 parts per million of carbon dioxide in the atmosphere and, as the noble Baroness well described, we still have all the symptoms of climate change, whether that be rising ocean levels at 3 millimetres a year, shrinking icecaps or retreating glaciers—not all of them, but the vast majority.

Let us look at the debates that there will be on decarbonisation and decarbonisation targets. I welcome the fact that there is provision in the Bill for a decarbonisation target. That was not there in the original draft Bill; it has been added. As for whether the year should be 2014 or 2016, maybe we are moving towards theology there.

Two of the things that are repeatedly mentioned to me are the risk of investment in the industry and future generating capacity. We know that the whole industry will look for less and less risk, and indeed those who provide finance will do the same in order to protect their investments, so, whatever they are given, I am sure they will ask for more. I spent a lot of years in the private sector, so I can ask what other industry is given a guaranteed price, index-linked, over several decades. No other industry gets anything like that—it would be heaven on earth for most industrialists—yet that is what we are offering electricity generators as part of the Bill. Frankly, you can start to become a little too greedy about the risk that you want to reduce if you go beyond that level.

I will come back to the agreements in that area. I see a tension within the Government. We have a £7.6 billion levy control framework commitment. That is a great win. It is substantial and it will ensure that in practice a low-carbon economy and a low-carbon network can actually be delivered.

Having said that, I feel that there are certain things in this Bill that still need to be done. I am sure that the Minister will agree with me on the vast majority of these. As for demand management, I suspect that this Bill was originally drafted by DECC officials who love shiny new power plants that impress their friends, look good when built and are great for press releases. However,

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we do not have such a demand. The UK electricity industry operates, on average, at 50% utilisation of capacity. To me, that is not good enough. We need to look at the demand side as well as the supply. I very much welcome the Secretary of State

bringing forward demand-side factors into the capacity market, and hopefully beyond that broader demand reduction. I know that we will flesh out some of those opportunities in Committee. I welcome the Government's very strong move in that area.

On emission performance standards, I am not quite so confident about the long-term nature of grandfather rights. I also question, and want to explore in Committee, whether there is still opportunity for coal to continue long term as a generating source of electricity under the Bill in its current state. Coal is so much cheaper at the moment, largely because of changes in the United States, along with other factors, that it may still be commercially possible to generate long term by paying the carbon floor price and re-engineering plants so that they are able to stop their sulphur emissions. I am not sure whether that is possible in this Bill as it stands, but I want to make sure that it is not. We need to take coal out of the generating system.

The other area, which I am sure Members from all around the House will be particularly concerned about, is the route to market for smaller producers. If there is one thing about the energy market that is similar to banking, it is its oligopolistic nature. That is what makes some of the strike price negotiations difficult. We need to ensure that the smaller producers, and indeed the smaller suppliers, within the market are able to have much greater access to a greater share of that pie. It is through that competition that we will ensure that price increases are far less than they have been in the past.

There is one last thing. One of the unsung things in the energy market is licence lite, which is being explored by the Greater London Authority. It is about small independent producers, in particular community schemes, being able to supply directly through local networks to final consumers at a consumer price, thus not needing subsidy for that energy. I would like to explore how that great initiative—unsung by DECC, I think—can be expanded more quickly and effectively throughout the United Kingdom.

As I said earlier, it was 2010 when the initial consultation document was produced. We need now to make sure that this Bill gets through this House, gets through it on time and lands on the statute book, so that those investors, however nervous, can invest.

3.48 pm

Lord Oxburgh: My Lords, I declare an interest as honorary president of the Carbon Capture and Storage Association and a director of ZOC. I shall confine my remarks to electricity market reform or EMR.

National Grid figures show that unless new power stations are built by 2015, we shall be more vulnerable to loss of supply than we have ever been. To give an example, if in 2015, at a time of high demand, three power stations were to drop out unexpectedly—as they did three weeks ago—we shall be into rolling blackouts. The situation is serious.

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Why are no new power stations being built? Everyone has known for a long time that the electricity market would have to be reformed. Potential investors are simply holding back until they know more about the market into which they will have to sell their electricity. The main aim of EMR is to use market mechanisms to achieve a secure, decarbonised electricity supply at the lowest possible cost. That might have been possible if this Bill had been presented two or three years ago. Then there would have been time for the contracts for difference and the capacity payments—central elements of the new market—to be thoroughly considered and properly auctioned. Today, Ministers make decisions by administrative means when they should have been the outcome of strategically planned competitions. These fundamental infrastructure decisions will determine how we generate electricity for decades to come and how much we pay for it. Nevertheless, recognising our present vulnerability, Ministers must move as fast as possible to seek bids for contracts to guarantee generating capacity. If they act rapidly, there should be just enough time to bring in new capacity for when it is needed.

What kind of electricity generation do we need? In this debate we shall certainly hear from proponents and opponents of different technologies, as if they alone could satisfy our requirements. There will be wind enthusiasts and wind-haters, and nuclear enthusiasts and nuclear-haters. In reality, every means of generation has its own cost structure and its own operational limitations that have to be taken into account in building a generation system.

For example, most of the cost for both nuclear and wind is fixed up front at the time of construction. Their costs of generation should therefore change little over time and they should offer something of a hedge against inflation. Both have low carbon footprints. However, the weakness of both is in their operational inflexibility. Nuclear is not able to ramp up and down fast enough to match the daily variation in demand, and wind is completely insensitive to demand. This is not fatal for either; it simply means that if they are used they have to be part of a system that takes advantage of their strengths and compensates for their weaknesses. By comparison, fossil fuel is dispatchable—it can be turned up or down relatively quickly to meet changes in demand. On the other hand, it is both exposed to the vagaries of international fuel prices and, unless abated by carbon capture and storage, carries a substantial carbon penalty. Other key elements of energy systems have their own costs and limitations.

The requirements of our system can be met in many ways with different technology combinations. However, the addition or removal of one component has consequences for all the others and for the system as a whole, including for transmission. A workable system will have a number of complementary elements that play different roles, add to its robustness through their diversity and have different implications for cost. With the powers that it is assuming in the Bill, central government takes full responsibility for the shape of our system. This is not necessarily bad, but we should certainly recognise that it is happening. The Government's decisions over what CFDs and CPs to offer will determine

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whether we achieve an affordable and workable system that also meets its stated policy objectives. It is very easy to get this wrong.

What, therefore, needs to be done in this House? I emphasised at the outset that the highest priority must be to secure investment in new plant. Investors have choice over not only what kinds of project they invest in but in which country to do so. The Government's stated strategy is to achieve a massive decarbonisation of UK electricity generation. In the short term,

this is not the path of lowest cost. Given the long-term nature of energy investments, investors have to be confident that the Government will stick to this path and continue to reward low carbon in the future. For these reasons, the Government's vigorous opposition to the cross-party amendment tabled in the other place, which would have included a reference to the 2030 emissions reduction target of the climate change committee, was particularly unhelpful. It has certainly been read externally as a weakening of government resolve. To make our energy system investable, we have to consider the reintroduction of that amendment in this House.

Secondly, we shall need to scrutinise the details of the CFDs and CPs, some of which have not yet been fully worked out. Consideration of the Bill in the other place had to be completed without this detail. The workings of the present electricity system are complex and in some respects less than transparent. We are promised more of this detail during the passage of the Bill through the House and this will need to be discussed as it becomes known. In parallel—as has been pointed out—there are important proposals from Ofgem for changes in regulating the market.

There are two important elements of any energy system on which the Bill is silent and which will have to be considered alongside the generation mix: namely, the interconnectors through which we can import and export electricity to our neighbours, which is always a possibility if we cannot generate ourselves; and secondly, our national provision for gas storage. This House has discussed gas storage on a number of occasions in the past, primarily in the context of security of supply in the face of declining North Sea production. We have noted that while our domestic gas storage is measured in days, our neighbours measure theirs in months. This concern has been alleviated—but only somewhat—by the construction of UK terminals to receive liquefied natural gas bought on the international market.

Today, however, storage can help UK consumers in another way. Storage would make it possible to buy gas in summer when prices are low and use it in winter when prices rise. This is a benefit primarily to consumers rather than suppliers. Suppliers simply pass on increased gas costs to the consumer, who has no choice but to pay them. The Government should carefully consider whether this potential consumer benefit can be captured, possibly by offering a capacity payment for gas supply at a guaranteed price and guaranteed time.

Finally, we also need to consider whether in future we can avoid the acute energy difficulties in which we now find ourselves. These are entirely attributable to successive Governments' culpable neglect of energy and the absence of any overarching strategic energy policy.

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Energy capability and competence within the Civil Service was over the years run down. The responsibility for energy was shuffled between government departments, and folk memory and experience were largely lost. To make matters worse, ministerial appointments were treated in a similarly cavalier fashion, with few individuals in post long enough to shape policy. At a major energy conference in Oxford attended by several Members of this House a few weeks ago, one speaker asked,

“exactly who is to make and implement the key decisions? Government per se does not have the expertise”.

Those words received universal acclaim and a standing ovation.

Speaking in an earlier debate, I raised the possibility of establishing a senior expert advisory group within DECC that reported to Parliament and contained both internal and external members. The external members would have long tenure and provide both technical and commercial expertise, and would bring a strategic overview and degree of continuity that has been conspicuously lacking. I am consulting both inside and outside the House to see whether we can come up with any proposals that might ease the present situation, which is no longer acceptable.

I have already commented on some of the imperfections of this Bill, but we need it urgently. Our top priority must be to give investors the confidence to invest in power generation in the UK. Our longer-term objective must be to ensure that a situation such as we find ourselves in now does not arise again.

3.59 pm

The Lord Bishop of London: My Lords, we have already heard several references to theology. I propose not to speak from a great altitude, but rather from the grassroots—although, as I worked my way through this hugely complex Bill, I found myself at times wondering whether it had been drafted for the sake of archangels in retreat. As speakers have remarked before, it is extraordinarily complex in parts. Our thanks to the Minister, the noble Baroness, Lady Verma, for the way in which she introduced the debate and for the courtesy which she has shown in making herself available for conversation with Members of the House in advance of this Second Reading. It is much appreciated.

Like previous speakers, I find that there are welcome proposals in this Bill that are urgently needed and address objectives that every Member of your Lordships' House would surely support, including security of energy supply and its affordability, together with a reduction in carbon emissions.

I declare an interest as chairman of the somewhat ludicrously named Shrink the Footprint, which is the environment campaign of the Church of England, focused on our thousands of buildings with the support of tens of thousands of volunteers. I echo many of the points already made in this debate, but I shall not repeat them. At the same time, from a London perspective, with our growing population and increasing demand for electricity, which could be as much as 4% a year, I am also clear that the Mayor's call for a change in the system which currently prevents distribution network operators from installing more capacity in the network

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without first receiving a formal request for a connection to the system from individual developers, deserves immediate and urgent attention.

In the limited time available, I want to focus on energy demand reduction, which an institution in our position has very much

at heart. We have been exploring how to improve our own energy efficiency; there has been some success in my own diocese of London, where over a six-year period we have been able to save about 22% of our energy use. But like others, we need the help of government to achieve the next level. My question to the Minister is: will she undertake to amend Clause 37 to bring forward multiple pilot schemes for incentivising a reduction in energy demand, allowing not only for a capital market pilot but a premium payments pilot and enabling ordinary households as well as big business to be rewarded for demand reduction?

Earlier this year the right honourable Member the Prime Minister in a speech to the Royal Society said that,

“the economies in Europe that will prosper are those that are the greenest and the most energy-efficient. Energy consumption is set to grow by a third over the next two decades alone. And in a race for limited resources it is the energy-efficient that will win that race”.

Noble Lords will be aware that the Department of Energy and Climate Change launched a consultation in November last year, and a number of ideas for reducing energy demand emerged. But in the response to the consultation last month, the Government stated that, of all the various options, just one would be pursued, and a pilot was proposed. It is good news that a commitment to this pilot has been incorporated in the Bill at Clause 37, but despite widespread support in the consultation, the option of an incentive scheme available to anyone, including individuals, who deliver an approved level of energy efficiency, has been dismissed. It would be helpful if the Minister could explain why it is not possible to undertake multiple pilot schemes. Is it possible at this stage, or in Committee, to give some greater detail on the pilot that is proposed? How long it will last and how large will it be?

Reports from all over the country from people anxious to act in an environmentally responsible way detail the frustrations and complexity of the Green Deal. Will the Minister consider ways in which the Green Deal can be simplified and streamlined to improve take-up? For all its imperfections, this policy remains a potentially transformative long-term project, but it is so complex and paper heavy that it has resulted in only about 200 people to date accessing Green Deal finance.

Small to medium organisations, which include dioceses and individual churches, and faith communities of all kinds are finding the deal hard to implement, while it has also proved difficult for smaller independent companies and co-operatives to access the market. Here, I echo comments made by the noble Lord, Lord Teverson. On the point that he raised, I note that there is no specific mention of community energy in the Bill, although I was encouraged by what the Minister said in her introductory remarks. I hope that she will be able to enlarge on those a little later.

Allowing the participation of independent generators in the energy market, via the introduction of some kind of green-power auction, would help to increase

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competition, while encouraging the engagement of local communities with their energy production. This is an objective in tune with the Government's emphasis on localism. The Shrinking the Footprint campaign, which I chair, is part of a general community energy coalition. Already church buildings across the country feed into the grid from more than 100 solar-panel installations.

In a highly complex society, security and affordability of energy are crucial. I imagine that noble Lords will have taken to heart the comments of the previous speaker on the enormous responsibilities that the Government are taking on through this Bill: any mistake will have grave consequences. We can all see the importance of the Bill. On these Benches there is general support and a commitment to work hard with other Members of the House to make it even better in Committee.

4.06 pm

Lord Deben: My Lords, I refer the House to my declarations of interest and particularly to my chairmanship of the Committee on Climate Change. In that position I am bound by statute to be independent, and on this subject it is not difficult to be independent because all parties have a less than good record in facing up to the issues of energy. The noble Lord who spoke a moment ago was kind. Successive Governments have recognised that this is a tough thing to deal with and often better left alone. At one stage we had an energy Bill in which every date had been removed except 2050, which was well beyond the lifetime of any living politician. This enabled people to promise good things for the future without having to pay for them in the present. This Bill is entirely different and I congratulate the Government on bringing it forward. It seeks to face the real issues and accept the price of facing them. Sitting where I do geographically, I recognise that there are some who have not accepted the reality of the danger, so I ought to start by explaining why—for a simple reason—we do not have to argue about it.

There is no doubt that there is sufficient scientific belief and evidence that climate change is happening, is caused by human beings and could be disastrous. It is therefore a threat with which we have to deal. There are two ways that you can deal with a threat: the first is to insure yourself against it, and the other is to hope for the best. There is a problem with the climate-change deniers. I use the word denier because they are no longer sceptics. I am a sceptic—I wish that climate change did not happen. I am sceptical in the sense that I work with scientists, and therefore one is sceptical about everything that is put forward. The problem is that those who deny climate change start from the assumption that it is not happening; that if it is happening, we do not need to do anything about it; or that if we did do something about, it would be far too expensive.

In this Bill we are seeking to provide the insurance that any sensible father would have for his children. I am sure that there are no Members of your Lordships' House who do not take out insurance against their house burning down, although there is a 99.8% chance of it not burning down. Yet we all spend about £140 a

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year protecting ourselves against such a thing happening because the horror of it is so great that it is not something that we wish to carry.

The chance of disastrous climate change occurring is enormously greater than the chance of your house burning down, yet we are now seeking to say that we should not spend certain sums. At the moment, for an average family the cost is about £60 a year and by the end of 2020 it will be £100 a year. We might increase that by about £20 if we take the serious and important step—I say this to the Minister—of having a carbon intensity target for 2030. Thereafter, what we will have insured against will in fact provide us with lower energy costs and a real future.

Therefore, the choice is between accepting the infallibility of those who deny climate change and accepting sensible insurance in order to recognise what the vast majority of scientists are putting forward. There really is no argument, and there is no argument in the view of the public. That perhaps explains why, however difficult it is, there remains, and is increasingly, a demand by the public that we do something sensible about this.

The question is: how do we get the very important matter of electricity reform to deliver a decarbonised source of energy for us? We cannot do all the things that we need to do to meet our statutory requirement of reducing our emissions by 80% by 2050 if we are not able, for example, to use electricity in a pure and clean form for motorcars and the like. Therefore, electricity decarbonisation is an essential part of what we are doing and the Bill paves the way for that. It does so by giving sufficient security to private investors to invest, but I warn the House that many other people are seeking to do the same.

Those who deny the issue, of course, are always saying that we are the only people doing this and that we are right out in front. In fact, GLOBE International, of which I am president, recently produced an independent report with the London School of Economics showing that more than 33 countries are dealing with this issue, some of them more extremely and better than we are doing. China, for example, has made a huge investment in making itself increasingly the centre of renewable energy. Mexico, South Africa and Korea are other examples. All around the world people are encouraging others to invest in order that they may achieve those ends. Therefore, if we want investment here, we have to recognise that we are in a competitive market. I say to my noble friend Lord Teverson that that is the issue concerning greed.

The fact is that if we want the investment and the jobs here, we have to provide the security that enables people to invest. That is why I again say to my noble friend that the very sensible proposal of the Committee on Climate Change that we should have a carbon intensity target for 2030 is essential not for climate change but so that we get the investment for Britain plc. If we want to show people that there is a continuum of support, that it will not drop over the precipice in 2020 and then arrive again in 2050, we have to have some kind of assurance. The beauty of the assurance that we have suggested is that it is not prescriptive. It does not say how we should do it; it merely says

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that there will be a clear indication that we want decarbonisation of electricity and that the carbon intensity target that we set will have to be reached by whatever means we wish. It might be achieved by advancing CCS, by having more nuclear or by producing more offshore or onshore wind, but we know where we are trying to do it, and we know that we are doing it so that all of us in this country can see the benefits of the investment we are making.

I want to be the first to congratulate the Treasury on producing £7.6 billion of investment to enable us to do that, but if that investment is to do Britain the best that it can, it must encourage people to bring their supply chains into this country and not maintain them elsewhere. It also means that we have to have very clear visibility between now and 2020. My noble friend has promised to let us have this information early. I hope that we will not go for just a year-by-year arrangement. We must know so that people who are making investment decisions now—which will emerge in 2018, for example—know exactly where they are going to be.

Against that background, I suggest that there is another issue which the right reverend Prelate the Bishop of London did not refer to but which I know is close to his heart. We are arguing this case in a world that will have 9 billion people. The idea that we will have cheap energy with the pressures of 1.5 billion more middle-class people demanding the sort of lives that we live, or the idea that there is some mysterious and magical world around the corner with cheap gas, seems beyond any sane measurement. Of course we have to use our fracked gas, of course we have to make sure that we use what resources we have, and of course we need carbon capture and storage to make that gas as low in its emissions as possible. At the same time as paying this very small amount to give us insurance against climate change, exactly those same efforts are giving us insurance against ever-higher gas prices. After all, the International Energy Agency has made it clear that gas prices are likely to rise—to double in the United States—over the next 10 years.

It will also give us sovereignty, and I will finish on that point. I do not want my children to be in the hands of Mr Putin's children. It is a simple matter. If we can create our own energy here, we are not only protecting ourselves against climate change and taking insurance against high gas prices but ensuring that, by having a portfolio of energy resources, we in this country control this crucial element in our future. I therefore congratulate the Government on bringing the Bill forward. It needs one or two tweaks, and I shall be pressing for those tweaks—and I know that many will join me. It is the first time that we have had so far-reaching and far-looking a Bill before this House on a subject that has for far too long been at the bottom of the list of priorities.

4.18 pm

Lord Roper: My Lords, it is a particular pleasure to follow my noble friend Lord Deben, who is a very effective advocate for this Bill, even if the levy-controlled framework is, I think, a little more complex than he described. Given the complexities and the length of

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this Bill, I have begun to regret that just over a year ago, when I ceased to be chairman of the European Union Committee and I decided to take up a new subject from scratch, I chose energy. Given what we have come to, I think it may have been a problem, but I am extremely grateful to the noble Lord, Lord Oxburgh, and to the DECC officials, who, in the informal group that has met on the draft Bill and more recently on this Bill, provided particularly useful tutorials in helping me to understand a pretty complex subject. As the noble Baroness, Lady Worthington, said, each time one thinks one understands

it, one discovers yet another twist to the complexity.

Before giving this Bill a Second Reading, we have to agree that there is a need to decarbonise our electricity industry and, if that is the case, whether the principal elements of the electricity market reform set out in Part 2, the contracts for difference, strike prices and the capacity mechanism, are the right way to achieve such reform. On the first issue, over the past year, I have tried to follow the debate on global warming. Indeed, there are those who argue against it, sometimes — we may well hear them later—fairly effectively. But although there are significant arguments against the scientific consensus, I have reached the judgment that in applying the precautionary principle there is no case at all to resile from the commitments which this country took under the Climate Change Act 2008.

As referred to by my noble friend Lord Deben, the argument is also developed that our efforts are of little relevance given the absence of comparable actions elsewhere in the world, with the statistic of three coal-based stations being built a week in China perhaps being most frequently cited. In fact, as we have heard this week—indeed, he referred to the work done on climate change in China—China is rolling out an emission trading system starting in Shenzhen and then extending elsewhere in the country. It has been carrying out a significant programme of work on carbon capture and storage which compares favourably with what we have done in this country. Therefore, the argument that there is no point in doing anything because things will go wrong elsewhere does not seem to hold very much strength.

Given the case to move to a low-carbon generating technology and to encourage the necessary investment, what are the policy instruments which can do that most effectively? Sitting on these Benches and having been taught some of my micro-economics by Milton Friedman, I have to look very carefully at any attempt to intervene in markets. That often causes more harm than good. I was very glad therefore that my noble friend the Minister in her opening remarks was able to assure us that the contracts for difference and strike prices are transitory measures, particularly that they will be set on an administered basis for this transitional period. My noble friend also referred to the fact that the delivery plan will be published in July. I hope very much that when the Captain of the Gentlemen-at-Arms produces an order of consideration, the sections dealing with Part 2 can be placed towards the end of our consideration in Committee in order that we will have the benefit of seeing the delivery plan before we come to consider them.

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Subject to that, the very useful impact assessment published with the Bill shows that the market failures and imperfections justify the proposals for electricity market reform in Part 2. Contracts for difference are the means of providing revenue certainty for low-carbon generators and thereby the incentive for investment in nuclear and renewable generators. They would enable development of such projects to obtain the finance for their investments and the impact assessment shows a significant net present value. As we have heard, the capacity market is the mechanism for ensuring security of supply and although the impact assessment in this case shows that there could be small net costs compared with a perfectly functioning energy market, it is very difficult to accept that we have a perfectly operating energy market. It seems a rather useful insurance mechanism to avoid loss of supply.

The question of the nature of the energy market is, as we have already heard, central to our consideration of the Bill. There has been much discussion on the illiquidity of the market, and Ofgem's announcement last week is therefore of great importance. We shall need to consider it when we come to consider Chapter 6 of Part 2 of the Bill. The asymmetry of the market between the larger generators and suppliers and the smaller ones have led to many reports of illiquidity and difficulties for small developers of renewable projects in accessing the market. In the Commons, consideration was given to a green power auction market. This was resisted by the Government. Others have suggested an off-taker of last resort. It will be essential for us to return to this in Committee as energy market reform will not succeed unless we provide a satisfactory route to market for independent generators.

There have been difficulties in the recent past for such generators to get satisfactory power purchase agreements with large suppliers, and the nature of PPAs will themselves change with the introduction of contracts for difference. How do the Government intend to ensure a satisfactory development of PPAs after EMR? As my noble friend Lord Teverson and the right reverend Prelate said, Clause 37 is extremely important. It is the amendment which was introduced on Report in the Commons to deal with demand management. Although the reference is to a pilot scheme, I think that if I remember rightly, in moving the report, the Minister referred to several options within this pilot, so perhaps it is not quite as narrow as was suggested by the right reverend Prelate.

I also find some confusion, probably it is my ignorance, between permanent reduction in the demand for electricity as described by the right reverend Prelate, and demand-side response in the context of the capacity market. Will my noble friend tell me which of the two is being referred to in Clause 37?

I welcome the fact that Part 1 gives the Secretary of State a power to set a decarbonisation target range for 2030 and implicitly prevents him from setting it before 2016. As we have already heard, there will no doubt be discussion in Committee on the date. However, I hope that as well as the date, it will be possible to consider whether the Bill should be amended to require him to set a target rather than to give him the power to set a target, which is an important distinction.

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Finally, I wonder if my noble friend can tell us about the position of the European Commission as far as any possible state aid implications of the Bill are concerned. Are we likely to have problems with that at a later stage? I think that this is a difficult Bill, but I look forward to continuing my education on the subject in Committee.

4.28 pm

Lord Cameron of Dillington: My Lords, I must first declare an interest as a farmer and landowner with family and trustee interests in small renewable energy schemes.

Electricity is now as vital a part of modern human life as air, water or food. It is only a mild exaggeration to say that we cannot survive without it. So much depends on it: from the pumped water we drink and the growing and processing of the

food we eat, to lights, heating and cooking, through music, communication, navigation, health, design and even democracy—think about this Chamber with its lights, air-conditioning, microphones and TV and radio services all dependent on electricity. Furthermore, our use of electricity can only increase: electric cars, for instance, could be a huge new field of demand.

It is therefore vital that we plan well ahead to ensure that we “keep the lights on”, Bear in mind though that that flippant phrase could equally well be replaced with “preventing catastrophic life-endangering situations”, or “maintaining the vibrancy of our economy”. Electricity is the vital fuel of modern life and it would be unthinkable for our system to fail.

Noble Lords will have gathered that in the trilemma between decarbonisation, the cost of power and the security of power, for me the greatest of these three is security. If we do not have security of power, the rest are as of nothing.

Ensuring security of power means that we have to plan ahead for more than one decade. Even a gas-fired power station, from conception through planning, construction and commissioning, can take the best part of a decade, while a nuclear station takes considerably longer. Furthermore, if you take a long-term view—decades rather than years—I do not believe that there is a straight choice between green energy and cheap energy. The danger of ever rising costs of fossil fuels in the long run is possibly even a greater danger than the initial high cost of alternative sources of energy.

For instance, looking forward, between now and 2030 it is likely that China will increase its use of gas by over 500%. What will that do to the world price of gas? Or you may prefer to look at, say, Germany, where since 2000 the price of electricity has gone up by 61%, of which 75% is due to the rising cost of gas rather than its support for renewables. It is the same in the UK. Only a small proportion of the increase in the cost of our power is due to renewables—less than 15%

So never mind the climate change debate—although I should make it clear that I am a firm believer in man-made climate change—in the long run we need as many alternative sources of energy as we can muster or encourage. Furthermore, we must never put all our generation eggs in one technology basket.

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Therefore, the overriding need for and the purpose of this Bill, to me, is that during the next two decades or so we will need huge amounts of money to be released for investment into the generation of power, the transmission of power and even the saving of power—literally hundreds of billions of pounds. Coming straight, therefore, to the \$64,000 question—or perhaps that should be the \$1 trillion question—will this Bill be enough of a signal to release that kind of money for the markets? Possibly, is my answer.

Contracts for difference are excellent; they seem a fair way of supporting new technology and even old technology, speaking as one who lives not a million of miles away from Hinkley Point. CFDs seem a fair way of balancing the demands of new sources of power against the interests of consumers should there be a dramatic shift in the marketplace. However, as other noble Lords have mentioned, I worry about the complexities and uncertainties of CFDs for the small-scale generator. We still need either a small-scale FIT or a green power auction mart or something similar to give the small-scale generators—or, more importantly, their banks and backers—the 15 to 20-year comfort they need to enable them to invest. These are expensive projects for often quite small players. With all the money needed up front, you cannot start small and grow as in a normal business venture. We need this investment.

The capacity market, again, seems a good way of keeping the lights on and all that entails. As I say, security is the key. However, I am concerned that, with the first auction in 2014, the intention is to have a capacity market in place only by 2018, and I ask whether we could not do it a bit quicker. Sadly, the baton of the 2015-16 power supply was dropped some time ago and power cuts at that time seem quite likely.

The only other problem with the capacity market exercise as currently planned is the likely lock-in to gas generation, possibly up to 2045. When we are trying to get out of expensive and non-renewable gas this is an unfortunate, but perhaps inevitable, result of our need for security in the medium term. I hope that CCS could be a solution.

I support the levy control framework as providing a cap on the effect of alternative technologies on fuel poverty and manufacturing competitiveness. We will have to consider both these issues in Committee but the levy control framework allows people to know where they stand, at least up until 2020.

That brings me to the major point of contention surrounding the Bill: do we or do we not need a decarbonisation target for 2030—or, more precisely, do we need to set a decarbonisation target for 2013 and 2014 or will it wait until after the next general election? Will a two or three year delay make all the difference in releasing the billions of pounds desperately needed to keep the lights on?

If it was merely a question of buying wind turbines and towers to place offshore, say, in the 2020s, it would not necessarily matter. However, we know that Gemesa, Siemens, Vattenfall, Vestas and so on need the signals as soon as possible to start building the factories, to create the jobs, to build the parts necessary for such wide-scale investment in power in the 2020s.

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The same goes for CCS, although this time the signal is as much for the Treasury as the private sector: it really needs the self-discipline to commit this time to what could be a very profitable area for the UK. There will be a huge worldwide market for CCS if we can create a safe and reliable system. I sympathise with the Government over decarbonisation targets. There is a lot of uncertainty about where our power sector could go over the next 15 to 20 years. Will we have a shale gas revolution? Will nuclear become too expensive to replace? Will the only practical source of power be gas and will CCS fail? Will the gas lock-in, which I spoke about, become an accepted feature of our energy landscape? Can we burn cheap coal-bed methane or will algae be the solution to the world's energy problems? Will the economy soar and increase demand, or will it plummet and make cheap electricity the overriding need? It is hard to know which will be the safest road. We could go in any direction.

That is the key point. These same thoughts are going on in the minds of investors, too. They, too, do not know which way to

jump. They, too, are tempted to hold back their billions until they see which way the cookie is going to crumble. Which technology is going to succeed in the UK? What is going to happen to the levy control framework after 2020? It is all very well the Government relying on the Climate Change Act, but that is about general targets across the board. What sector-specific commitments are the Government giving within the electricity industry? Why should investors commit their money if politicians cannot commit their and their successors' reputations? In my view, the Government should provide certainty to investors. The target need not be as low as 50 grammes per kilowatt-hour, but a target is needed. Then the investment that follows will, in my view, bring down the cost of power, boost our employment and economy, and raise the certainty and security of power, which is really important.

4.36 pm

Lord Lawson of Blaby: My Lords, like other noble Lords who have spoken, I begin by declaring an interest. It is a non-remunerated and non-pecuniary interest, unlike some noble Lords' interests. It is the chairmanship of the Global Warming Policy Foundation. While I am about interests, perhaps I should declare two past interests, which I think are slightly more relevant to this debate: one which was remunerated, not particularly well, Secretary of State for Energy, and the other, president for a very long time—indeed I am the immediate past president—of the British Institute of Energy Economics. I have been tilling this soil for quite a long time. I am glad to say that next to me here is my successor as president, my noble friend Lord Howell, who was my predecessor as Secretary of State for Energy. Unfortunately, his other commitments prevent him from speaking in this Second Reading debate but I hope he will bring his great wisdom on this issue to bear in further stages of this Bill.

I do not blame my noble friend the Minister in the slightest for the fact that this is the worst Energy Bill in living memory and, indeed, probably the worst Bill of any kind that the present Government have brought forward. That may to some extent explain why it is so

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enthusiastically welcomed by the party opposite. It has, as the Minister made clear, one purpose and one purpose only: to reach the very demanding—that is an understatement—and radical decarbonisation targets in the Climate Change Act, which, as she rightly said, is something on which no other country has embarked. She seemed to think that was a good thing. In my opinion, it is just because no other country is so stupid.

The policy too has a particular characteristic. It has been characterised by our leading energy economist, Professor Dieter Helm of Oxford, as the Gosplan approach—his word, not mine. The noble Baroness, Lady Worthington, had a similar critique of this Bill. It is a curious, arbitrary form of nationalisation with much greater discretion for Ministers and officials than any of the old-fashioned nationalisations. The noble Baroness developed a powerful critique. It was probably the only aspect of her speech with which I agreed, but nevertheless she made a very important point. The other claims for the Bill are, of course, poppycock.

As my noble friend Lord Teverson pointed out, this is not a new Bill. It was first published in draft in 2010, and in gestation, it inevitably goes back beyond that. Since then, absolutely everything of importance in the energy field has changed. Incidentally, we need to distinguish between the climate change issue and the energy issue. For example, Professor Helm, to whom I referred and who I have known for many years, is, on the climate change issue, at the alarmist end of the spectrum, yet he has produced the most devastating critique of the Bill because he is, among other things, unlike some noble Lords who have spoken, a highly competent economist.

Anyhow, since the Bill first came forward, everything of significance on the energy scene has changed. On climate change, too, it is now agreed even by the Met Office that there has been no further recorded global warming for the past 16 years or so. That has led to a great debate among scientists as to whether, as seems likely, they exaggerated in the past what is known in the jargon as the climate sensitivity of carbon. There is an emerging consensus among scientists that the climate sensitivity of carbon is probably less than they thought. That means, importantly, that any dangers from warming, if they occur, are postponed well into the next century. It means that there is no urgency to go ahead in this way, not only because the uncertainties are in the distant future but because we have no idea what technologies will develop over the next 100 years. All we know is that there will be technological development, because there always has been and always will be.

Again, the Kyoto agreement has collapsed with no successor. The whole of the Bill was predicated on the idea of a global agreement, but we now know that there is no global agreement and that there will not be a global agreement on mandatory carbon emission controls. In the European Union, which is the closest to us in going in this direction—although it has no Climate Change Act as it is not so stupid—the renewables industry is in meltdown. Over the past five years, the share price of the renewables companies has fallen

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by at least 80%. The countries concerned are busy withdrawing their subsidies and one renewable company after another is going bankrupt.

The final thing, to which allusion has already been made and which is probably the most important, is the shale gas revolution. The development of fracking, as many noble Lords know, means that it is now possible economically to win gas from shale on a massive scale. Indeed, the United States, which was first in the field, is already doing it for oil as well. It is getting oil from shale. That has transformed the picture economically. The price of gas has collapsed in the United States, the price of coal has collapsed in accordance and even the oil price is looking a bit shaky. That also has an important geopolitical consequence as shale is in abundance throughout the world. In this country, we have large deposits in the north-west, in Lancashire—in the Blackpool region—and in other places. That means that we no longer need to have any fear of being beholden either to an unstable Middle East or to an unreliable Mr Putin. There is an abundance of fossil fuels throughout the world. Everything has changed. We have an abundant supply and a prospect of lower prices. As other speakers have said, on the old forecasts it was thought that prices of fossil fuels were likely to increase. Even the International Energy Agency now thinks—although obviously it is all very uncertain—that they are just as likely to fall as they are to rise in the future. Yet despite these revolutionary changes, the Government's policy and the Bill itself are completely unchanged from when they

first came forward. They are ploughing on as if nothing had happened, despite the fact that the whole energy scene has totally changed.

This is not just a stupid energy policy; it is also an extraordinary foreign policy. I see a distinguished former Permanent Secretary at the Foreign Office in his place, the noble Lord, Lord Kerr. He used to be my Principal Private Secretary, so he is obviously a good man. I remind noble Lords that in the other place the Energy and Climate Change Committee produced a report on low carbon growth links with China. It concluded and I am not making this up:

“China ... should be at the heart of HMG’s climate change mitigation strategy”.

There was, of course, a response from the Government as there always is to Select Committee reports. This was jointly from DECC, the Department of Energy and Climate Change, and the Foreign and Commonwealth Office. They said:

“We therefore welcome the Committee’s report, which rightly concludes that the UK has an important role in encouraging the trend to low carbon in China”.

They went on, correctly:

“As the UK is responsible for less than 2% of global emissions, we need all other major economies to reduce their emissions as well”.

They then added, and I quote:

“By demonstrating political leadership ... the UK can have a powerful influence on the speed of transition to low carbon economic models in other countries”.

What on earth have they been smoking? Their view, it seems, is that the Chinese cannot make up their minds whether they really want to decimate their industry on the altar of higher energy prices and impoverish their

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still quite poor people even further and that they are only looking for a lead from the Foreign Office in Britain before deciding to do just that. What sort of world do they think we are living in? It is complete lunacy. China and India, despite what noble Lords may have heard earlier in this debate, have not the slightest intention of following us down this crazy path.

We must also look at the oil industry. Your Lordships may not like the major oil companies, but they are not stupid. If they really thought for a moment that we were going to move into a decarbonised world, would they be spending untold billions on exploring for new oil and gas—and even more for developing them? What about the financial markets? What happens when one of the oil companies makes a great discovery? Do the shares go down, because, after all, fossil fuels are completely obsolete and they are pursuing a damaging strategy? No, the shares go up, when they have a great oil or gas find.

This is an Alice in Wonderland world in which the Government live and in which this debate is taking place. Nor is this policy a harmless lunacy. UK energy costs and prices are inevitably bound to rise as a result of this Bill, which will become an Act, I am sure. The purpose of this legislation is to push up energy prices, because that is the only way that renewables, and even nuclear, can be made economic. British electricity prices are already, as a result of government policies in this area, among the highest in the world. According to the energy experts who have studied the Bill they are set to double by 2030. As we move from low-cost carbon to high-cost renewables, we will be damaging the economy and damaging industry and it will be the poorest families that suffer the most. I am astonished that we did not hear a word from the spokesman for the party opposite on the plight on the poor who are suffering from fuel poverty, and who will suffer even more as a result of this legislation.

This is a bad, bad Bill. There is not a single energy expert of repute, whatever his views on climate change, who believes that the policy enshrined in this Bill is sustainable. However, that is no consolation because the damage that will be done before the inevitable U-turn takes place will be incalculable.

4.51 pm

Baroness Liddell of Coatdyke: My Lords, I, too, must draw attention to my entry in the register of Members’ interests as a director of the Offshore Renewable Energy Catapult. I should also take my lead from the noble Lord, Lord Lawson, who pointed out that he was a previous Secretary of State for Energy. I was a Minister for Energy but, being a woman, I was expected to multitask so I was also Minister for competitiveness in Europe. Tempting though it is to follow and challenge some of the lines of the noble Lord, Lord Lawson, I notice that the noble Lord, Lord Stern, is in his place and is soon to speak. I think that he will probably do a much better job of it than I could conceivably do.

Yet like the noble Lord, Lord Lawson, I am not an unalloyed fan of this Bill. Professor Dieter Helm’s analysis of the Bill was actually very interesting. I see that the noble Lord, Lord Birt, is to speak later on. Perhaps he, too, could take up the issue of the bias against understanding contained in this Bill because it

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is of considerable complexity, and within that complexity there is the opportunity for a considerable mistake. However, the Bill is needed, although it may not be in the right shape. Also like the noble Lord, Lord Lawson, I am concerned about the lack of impact on fuel poverty, which I will come back to in my section on demand reduction. I am not going to say much about decarbonisation, but when you put those issues alongside the decommissioning of existing capacity, there is a crisis of security, as the noble Lord, Lord Oxburgh, pointedly set out.

It may have been the intention that this legislation would end uncertainty. The Minister referred to that in her opening remarks but, frankly, its long gestation period has added to the uncertainty, as well as the fact that we need more detail on

the setting of the strike prices and the need for secondary legislation to support the Bill. We have a considerable difficulty here around uncertainty. If I may give just one example, Ernst & Young has recently done some research on the international investment market for renewable energy. Because of uncertainty in the British market, we have dropped to sixth place in terms of our attractiveness for that investment.

In the area of offshore wind, where Britain is actually a leader, we have lost our top position. If noble Lords want an idea of the scale of this, let me point out that last year, €4 billion of manufacturing capability was commissioned in Europe. Some 75% of the turbines for offshore wind were built in Britain. There is a huge opportunity for offshore wind and we have managed to fail to exploit it to the full because of the slow progress in proceeding with this Bill.

This Bill is an example of market manipulation. I do not have a problem with that; infant industries often need market manipulation. The noble Lord, Lord Roper, is right to ask for an explanation of where we are in negotiations with the European Commission on state aid. I would also be very interested to know if the Minister could enlighten us on where we are in relation to the impact on UK energy costs compared with our EU competitors. That is a critical balance, and not just in terms of how our economy operates. The noble Lord, Lord Oxburgh, referred to interconnectivity; the direction of flow with interconnectivity will be based on the relative prices on either side of the interconnector. Like the noble Lord, Lord Deben, I worry about sovereignty. This is one of the key issues of the past 10 years. If someone has the capability to switch off access to energy, they will have strategic control over what happens to the economy of this country.

Going back to the complexity issue, there are some aspects of EMR that have been tried elsewhere and some experience of capacity markets in the USA, but I am not aware of any country using the model of contracts for difference and capacity markets at the same time. I would be very interested to know how the Minister sees some of these issues working.

We also have a pressing need for diversity of energy-generating capacity. Many of us in this House are in our prime and we can remember the six-day war. We also remember what happens when we become overly dependent on one energy source as against another, and we must ensure that that does not happen again.

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There is a place for all sources of energy, including fossil fuels. This is a real challenge for the scientists and engineers who, for as long as I have been around, have been promising clean coal technology. Carbon capture and storage is the holy grail, but I have been waiting for far too long to see its commercialisation. The Minister skirted over nuclear in talking about the Office for Nuclear Regulation, but in a situation where EDF is in a monopoly position in negotiations with the Government, where are these discussions? What conclusions will we come to? The Committee on Climate Change has said that at least 16 gigawatts of future supply should come from nuclear, but it is difficult to see how that is going to come on stream in time to impact on the insecurity of supply that we have to deal with.

There are some of us who do not necessarily remember it, but know that there was shale gas in this country before. I live very close to West Lothian where there was quite an industry around shale gas in my father's day. There have been recent announcements about the prospect of 37 gigawatts of gas generation being sanctioned, alongside the prospect of shale gas—with envious eyes across the Atlantic looking at how shale gas has impacted on US energy markets. Are we going to end up with a dash to gas being forced on us because we need security of supply? We need to get a move on with nuclear and with investment in renewable energies. We are seeking economic growth, so it is all the more critical that manufacturing capability which we can rely on in the future is developed. What is going to happen about strike price setting in practice? What will the setting of the strike price be, taking into account new nuclear? How will a competitive model eventually operate?

Let me turn now to the lines on capacity markets to deliver energy saving. Frankly, I think it is fanciful. I am with the right reverend Prelate when he asks why we are having only one pilot. Why are we not in a position to look at other ways of managing demand? One of the best ways of ensuring a robust energy market is to ensure energy efficiency. I ask the Minister to answer this in her summing up: if I were Mrs Liddell of Coatdyke in North Lanarkshire, living in a damp council house with inadequate insulation, possibly a post-war house with no upgrading since, how will that affect my fuel bill? It will not. And please do not tell me about the Green Deal; you need £150 even to get your foot in the door. That may buy a rather nice dinner in the Barry Room, but it is a king's ransom for some of the people who are most intimately affected by this.

I turn my attention to an area that has caused considerable concern throughout the country: the mis-selling of tariffs for electricity. I am not suggesting that there needs to be some kind of retrospective legislation with regard to this, but I am asking that we get some clarity on the Prime Minister's claim that people will be put on the lowest possible tariff. How is that going to work? We need that spelt out, and quickly. We need additional powers and resources for Ofgem, which at the moment is apparently looking at 27 cases of mis-selling, both formal and informal. Mis-selling is fraud against the most vulnerable in our society, and this Bill is not going to help that.

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I look forward to our deliberations on the Bill. There are critical issues that need to be raised. We need an energy Bill but, sadly, I am not sure that this Bill as it stands is the finished article. I hope that by the time we get to the end of July, it might be.

5.01 pm

Baroness Maddock: My Lords, I need to declare my interests as president of the Micropower Council—contrary to what noble Lords might have read in the *Daily Mail*, you do not get paid for being president of something—and vice-president of National Energy Action, a charity dealing with fuel poverty. Like the previous speaker, I will say a little about fuel poverty in my remarks.

There are many reasons to support the Bill but we have also heard about some of the problems surrounding it. Maybe we in this House can ensure that it is better by the time that it leaves us. However, it will address some of the challenges that we face such as the security of supply and the need to invest to meet our current and future demand for electricity. It has been

estimated that we need at least £110 billion to do that. We need to improve the national grid, as others have mentioned; investment in the grid has been neglected for a long period. The Bill will also address our aim, which some people agree with and some do not, to decarbonise the electricity sector by the 2030s as part of the global challenge of tackling climate change. We hope that the Bill will support the construction of a diverse mix of renewables, new nuclear, gas and carbon capture and storage—many of the things that people have said in the debate that we need.

It is estimated that electricity market reform could provide around 250,000 jobs. Coming from the north-east of England, I think that creating jobs away from the south-east is really important. I associate myself with the words of my noble friend Lord Deben about the importance of a supply chain. Already in the north-east we have industries providing pieces for turbines for onshore and offshore wind, and I hope that that will continue.

My interest in how we protect our environment globally and locally stems from three years that I spent over 40 years ago living in Stockholm in Sweden, where I realised that if a home was properly insulated it cost a fraction of what I had been paying in England to heat one. I also realised, because I was teaching English at the time to old-age pensioners, that they did not die in the winter because they were living in cold and damp homes, and that there was no such thing as fuel poverty. Shortly after that we had the world oil crisis, which brought home to me the need to not be wasteful with our global natural resources. Whatever we believe about climate change, that is something that we should all be aware of.

In the 1970s, when I joined a political party, it seemed to me that at that time only the Liberals were genuinely concerned about these issues, although I must say that that is not the only reason that I was a member of the Liberal Party and am now a Liberal Democrat. In my early days, campaigning to be elected and serving as a councillor in Southampton, I was often mocked for what I was talking about with regard

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to these issues. I particularly remember being mocked when we were trying to introduce recycling in the city. At one point, three colleagues and I held the balance of power on the council and we managed to set up an environment committee. Not everyone at that time was a dinosaur and one of the colleagues that I worked with—we worked across party lines—was the honourable Member for Southampton Test, Alan Whitehead, who has played quite an important part in this Bill's passage in another place. At that time we managed, using some geothermal energy, to set up a district heating system that has become one of the most successful in the country.

So when I was elected in another place, now 20 years ago, it is not surprising that I chose to promote the Home Energy Conservation Act. I was fortunate enough to be No. 1 in the ballot for Private Member's Bills and, with the help of a lot of other people and organisations, that Bill became an Act.

I think that a majority of people today—although not everybody, including my noble friend sitting in front of me—are very concerned to protect our planet now that we have seen the data and how human activity affects our climate. In my early days of campaigning on these issues, it was a wild dream that Liberals would be in government and that we might see a Liberal Minister leading a Bill of this nature. So I am particularly pleased that my longstanding colleague, my right honourable friend Ed Davey, has been spearheading this Bill.

Given my background, I think that it is not surprising that the two things that I have chosen to concentrate on in this Bill are electricity demand reduction and help for consumers, particularly with fuel poverty. Several other noble Lords have mentioned electricity demand reduction. A major criticism of the Bill has been that, in its original form, it did not contain measures on electricity demand reduction. During the passage of the Bill in another place, the Government introduced amendments, which have been spoken about, to enable electricity demand reform to form part of the capacity market and for there to be pilot schemes. However, among many of those—including me—who are pleased to see this step, there are concerns about how capacity market measures will operate and whether they will actually achieve substantial reduction in demand, particularly permanent reduction. There are also concerns about the nature of "a pilot", rather than several pilots, and what actions might follow as a result of such pilots.

Following the initial criticisms, there was a consultation from DECC to explore the options to encourage electricity demand reduction. Of the options put forward, a majority of respondents favoured a system of electricity-efficiency premium payments which would provide electricity users with a payment on top of the savings that result from reduced electricity usage. I strongly support something of this nature. During the time that I lived in Stockholm in the late 1960s and early 1970s, most of the electricity used in Sweden was hydroelectricity. However, they had had two or three very dry summers and there was a shortage of electricity. There was a huge campaign about how to save electricity and measures were advertised, from how many times

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you should open your fridge to persuading you and those you lived with to sit around one light when you were in your flat in the evening. It resulted in huge savings of electricity. There were no blackouts. The area that saved the most got their bills reduced. So there is evidence that this is something that works.

As to the role of the capacity markets, there is evidence that a capacity market is of limited use in rewarding energy savings—I believe that experiences in America have shown that to be the case. Payments from capacity markets are uncertain and it is not yet clear when or if a capacity auction will be triggered here. Could the Minister, when she replies to this debate, address this issue? As energy efficiency and demand reduction reduce the risk of capacity shortage, it is rather perverse to make support for them dependent on those shortages occurring. I hope that we will address this during the passage of the Bill.

Capacity markets are not suitable for delivering energy saving for households or small businesses. The complex design of the capacity market means that only large energy suppliers and other specialist companies are likely to participate. It is vital that we have mechanisms to capture savings from small businesses and homes if we are to achieve the full electricity-saving potential that the Government have identified. A capacity market is primarily designed to ensure capacity during troughs in

supply, so it rewards energy efficiency for only its security benefits, not for the much larger benefits or for emissions reductions and affordability.

I am disappointed that on Report in the Commons, cross-party amendments that would have introduced simple transparent payments for households and businesses that save energy were not addressed favourably. Will the Minister look again at such proposals, which may come forward again during the passage of the Bill in your Lordships' House?

Clause 37 allows the Government to introduce a pilot for electricity demand reduction. Will the Minister also look very carefully at this? I am not the only one to raise this matter today. We would like to see more than one pilot and a variety of schemes.

As I declared in my opening remarks, I am a vice-president of a national charity that works in the field of fuel poverty. The charity works with government and others to ensure affordable energy for disadvantaged customers through a wide range of activities. National Energy Action is currently helping the regulator Ofgem to refine the contribution of district network operators to permanently reduce electricity demand within the UK. District network operators will be subject to an energy efficiency incentive during the new distribution price control—ED1—and will be encouraged to foster innovation and support low-income and vulnerable customers through new social outputs. Therefore it would be very helpful if Clause 37 could be amended to show that the Department of Energy and Climate Change is aware of the role of district network operators in encouraging permanent electricity demand reduction.

Finally, I turn to consumer bills, which other noble Lords have already mentioned. I am pleased that there is something about this in the Bill. However, due to my experience of the big six energy companies and the various bills that I get from them, I am not holding my

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breath. I am always shocked by the way in which they try to follow whatever they have been asked to do. They recently began to try to explain to customers, partly because it is in the Bill, how much electricity and gas the customers have been using and how much they can save on one tariff. I usually pay my bill by cheque when it comes. I received a bill—I will not mention from which company—which said on the front that if I paid it by direct debit, I could save X amount of money. On the next page it told me that if I paid it by direct debit I would save 10p. On the front of the bill the figure was several hundred pounds. That does not give me confidence that even the proposals that the Government want to see from energy suppliers in assisting customers may be forthcoming.

A representative of one of the suppliers—I think it was British Gas—came up to me one day proudly talking about their bills and how they set them out. For many years, as noble Lords will have learnt from my comments, I have been a political campaigner. I learnt very early on where you put something on a page so that people look at it first when it comes through the door—the famous Liberal “Focus” leaflets come to mind. I suspect that British Gas had paid huge sums to people to advise them on how to set out their bills. However, the thing that they wanted you to read was down there on the page, not in the top right-hand corner, which is where everybody looks.

I hope that many of the things in the Bill will assist people who find paying their bills difficult—those in fuel poverty—and make sure that we have a secure energy supply. I am sure that the expertise that we have heard this afternoon, and will hear later this evening, should assist us all in ensuring that this Bill is a lot better when it leaves this place and achieves some of the things that we all want to see.

5.15 pm

Lord Stern of Brentford: My Lords, I refer to my interests in the register, in particular my chairmanship of the Grantham Research Institute on Climate Change and the Environment at the London School of Economics, which is part of my role as professor of economics at the LSE. I am perhaps one of the few unretired professors of economics in your Lordships' House, if not the only one.

I will not dwell on the science—after all, I am an economist. This House has often heard on this issue from two former presidents of the Royal Society, the noble Lords, Lord May and Lord Rees. Noble Lords can also consult the current president of the Royal Society, Sir Paul Nurse, and Sir Brian Hoskins of Imperial College, who leads for the Royal Society on climate change. If any noble Lords have new results that can overturn 200 years of research, dating from the great French mathematician and physicist Joseph Fourier in the 1820s, and can contradict the 98% of peer-reviewed papers that identify anthropomorphic climate change, they should immediately publish them in one of the learned journals.

If you want to learn more, consult the Royal Society, the US National Academy of Sciences or the French, Australian or Chinese academies—whichever you choose to turn to. It is surely to the learned societies, scientific

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societies and the journals that we should go for serious science. Taking the long-term view, the world is warming and the only plausible explanation is human activity. We cannot predict the outcomes with certainty; this is about risk management, but it is surely clear that we are embarked on a reckless and potentially irreversible experiment with the only planet we have.

The risks are more severe and will come earlier to the poorest among us, but we all face them, whichever country we live in and however well-off we are. Contrary to what the noble Lord, Lord Lawson, has just claimed, the broad estimates of climate sensitivity are fairly stable. If he wants a discussion about those estimates, I again refer him to those who know about these issues and study them professionally. I have discussed them intensively with Professor Myles Allen, of Oxford University, who has already been referred to, with Sir Brian Hoskins, whom I mentioned and leads on climate for the Royal Society, or with Julia Slingo, the chief scientist at the Met Office. We are all confident that the IPPC report, looking across the whole waterfront of the evidence and reporting this autumn, will say exactly that—the estimates of climate sensitivity are broadly stable.

Let me turn to where other countries are going. It is all too easy to say that we are small—accounting for perhaps 2% of global emissions—and to claim that other countries are doing little. That is not correct. I have worked on China as a professional economist and as chief economist to the World Bank for more than 25 years, including intense discussion over the recent 12th five-year plan. China is midway through that plan, which contains strong emissions reduction programmes. Its carbon intensity reduction target to 2020, relative to 2005, is 45%—considerably more ambitious than our own 30%. China is ranked third on the Climate Institute's low-carbon index. China plans to peak coal use during this plan period—that is, within three years—and is considering peaking annual emissions by 2025.

Why is China doing this? I certainly agree with the noble Lord, Lord Lawson, that it is not because it studied the United Kingdom with great precision. It is doing it because it understands the grave risks of climate change and because it realises that there is a green race, which it intends to win, or at least compete in very strongly. That is the kind of race that we should seek. The US is now reducing emissions rapidly and energy-related CO₂ emissions are back to the levels of the mid-1990s—achieved by a combination of substituting gas for coal and regulatory standards. They could meet their 17% 2005 to 2020 reduction targets without national legislation. Brazil is targeting 40% reductions for 2005 to 2020. I could go on. Those are three very big and important countries.

The world is doing too little, but it is absolutely not true that other countries are doing nothing. The more we recognise, country by country, what others are doing, the sooner the much needed acceleration of action will come. The global race is becoming a green one, and those who attempt to stay dirty will find other, cleaner countries understandably placing restrictions or tariffs on their imports. They will be WTO-compliant, because they will counter a subsidy on dirty. In this international context, UK climate change legislation

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is wise and forward-looking, not only from the perspective of climate change, fundamentally, but from the point of view of future growth. So, too, is this Bill wise and forward-looking.

What about costs to consumers? Energy bills have increased by around £400 for the typical household since 2004, from £600 to roughly £1,000. Of this increase, 80% was unrelated to carbon policies and was due largely to the increased price of gas, together with some increase due to investment in networks. Much of the remaining 20% was associated with investment in energy efficiency, which will bring its returns. In future, low-carbon policies aimed at supporting investment in clean power generation technologies will add £100 to the energy bill per annum of the typical household by 2020—around a 10% increase. There are opportunities to more than off-set this through energy efficiency improvements, particularly through more efficient boilers and appliances. The low-carbon policies are more likely to bring a reduction in bills by 2020 than increases. Over the past decade, the reliance on hydrocarbons has forced up prices.

Gas has a real contribution to make to emissions reductions in substituting for coal, but the benefits of shale gas in the UK are more likely to be in the energy security and profits that it could bring than in the price impact. Prices in the UK will be largely determined by Europe and world markets. Gas could indeed play a useful role in meeting ongoing demand for heat, balancing generation on the power system and gas generation of electricity with CCS if this is shown to be viable. It can be a valuable bridge to the medium and long term but, without CCS, gas cannot be the long term.

The future is uncertain, as many have remarked, and we will have to learn and be flexible. We will need a range of technologies and a smarter, more flexible and better interconnected grid. This will include improved energy storage, more interconnection with other European electricity networks and, crucially, better demand management. Additional R&D in all these areas will be essential to ensure that a full portfolio of options is available in the coming decades to manage the uncertainties and opportunities that are likely to emerge. Energy efficiency must, of course, be at the heart of all we do.

In thinking about investment, let us recognise that government-induced policy risk is the greatest threat to investment around the world, wherever you look, be it through threats of nationalisation, corruption, the speed of the law courts or whatever. That is a lesson that I have learnt in a lifetime as an economist specialising in development and growth, but also in a decade that I spent directly involved in supporting and financing investment, particularly infrastructure investment, first as chief economist of the EBRD and then of the World Bank. For the UK, clarity of policy is paramount to deliver the investment needed to decarbonise the power sector. The opportunity to leverage private sector investment now is potentially huge, with low interest rates, liquidity in much of the private sector strong and investors waiting for real clarity. It is the noises off and the apparent vacillation—the idea of constantly reviewing policy—that has undermined confidence. There is now a need for clarity in the wake

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of past confusion, and I warmly welcome the Bill as making a major contribution to reducing that confusion and giving a clear sense of direction.

We need substantially more strengthening of the necessary confidence. In particular, we need a stronger institutional structure to bring confidence to the investment framework. For example, the LSE Growth Commission, which reported in January and of which I was a member together with the noble Lord, Lord Browne, and others—I apologise for referring to the LSE again—recently proposed a new institutional architecture for infrastructure, including an infrastructure strategy board that could radically reduce medium-term policy instability. The energy and transport sectors are around 70% of this infrastructure story.

Lord Vinson: My Lords, the noble Lord, Lord Stern of Brentford, has failed to mention the cost of energy to British industry. Is that not a vital and essential part of maintaining jobs and our competitiveness, and helping us correct the huge export-import imbalance that we have at the moment? He has not mentioned anywhere the cost to industry. Is that not a fact that should come into his and his department's calculations?

Lord Stern of Brentford: I do not have a department. I am chair of a research institute and an academic.

The cost of energy to industry is indeed an important factor in its competitiveness, but it is not nearly as important as the investment climate, wage rates, productivity and exchange rates. This is of fundamental importance. Primary energy in the UK and similar economies is about 5% of GDP. Even a 20% increase would give you a one-off 1% increase in costs. That does not move industry from one place to another. You can study some of the publications on our website. If you look at what determines where people are, the data are made up of those issues that I have described: investment climate, wage rates, productivity and exchange rates. This is an important part of the story, but a small one relative to other big factors. Furthermore and fundamentally, I have given reasons why over the medium term the policies that we have been describing here are just as likely to force prices down over 15 or 20 years as to raise them, if not more likely to do so.

A target for power sector decarbonisation that gives a crystal-clear signal to investors is essential. Without such a target and with potentially mixed messages from government, there remains a high degree of uncertainty that will deter investors. The best way to address this government-induced uncertainty is to include in the Energy Bill a target for power-sector decarbonisation, specifically a target to reduce the carbon intensity of power generation to 50 grams of CO₂ per kilowatt hour by 2030, as recommended by the Committee on Climate Change as being necessary to meet overall emissions reduction targets. I urge your Lordships to support the Bill. It is a wise and sensible step in a good direction. It would be much stronger and wiser with a decarbonisation target.

In summary, there are five reasons for this target. It is the responsible way to play our part in a world at immense risk from climate change. It is necessary to reach the target for emissions reduction that we have sensibly set for ourselves. It is necessary for the credibility

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and clarity to foster the confidence necessary for the investment on the scale that we need. It will allow us to move still more rapidly into the world markets of the future. Finally, as that investment takes place, we will find that it plays a key role in fostering the investment and infrastructure that will deliver the energy security, affordable energy and growth that this country sorely needs.

5.28 pm

Lord Judd: My Lords, as an emeritus governor of the LSE, I take great comfort in the presence of the noble Lord, Lord Stern, in our academic ranks.

By the 1980s, the management of the economy of the Soviet Union had become a nightmare and a very sick joke. The bureaucratic jungle that stifled decision-making and obscured responsibility was a breeding ground of disastrous corruption, inefficiency and ineffectiveness. Sometimes I wonder whether, paradoxically, the management of the UK and western economies is not increasingly being tempted into exactly that direction.

The roots of the problem seem to me to lie in our becoming prisoners of ideology. What is too often lacking is an overriding, self-evident commitment to the public good, based on social-ethical values, principle, pragmatism and common sense. Where for the fulfilment of that public good is public ownership more appropriate, and where is private ownership better equipped to deliver? There are complex challenges in trying to mix the two. The private sector is driven by profitability; the public sector should aspire to cost-effective, high-quality public service. Bureaucratic structures will never sort that out. Only a deep sense of shared responsibility and commitment with powerful leadership will produce the answer, but just how can that be achieved?

A naive faith in market ideology has been allowed all too much to blind us to common sense. Muscular, tough, pinpointed accountability is not always there. We of course recognise that to leave the management of such a fundamental necessity for society as energy to market forces alone would be unforgivable irresponsibility. We therefore have before us a scheme devised by very clever and dedicated experts which is intended to guide, restrain and police the market. However, I suggest that it is a scheme which is prepared within the context of market fatalism and which, as the right reverend Prelate the Bishop of London said, is beyond the comprehension of all but a small number of mandarins, politicians and academics—a scheme which has already been described by some as “theory gone mad”. It is so remote from the cut and thrust of real life and from basic realities in human behaviour that it is destined, I fear, to become a dangerous minefield of controversy between the different participants. Conspicuously absent is any underlying driving concern for the regeneration of a public service ethic of responsibility—an ethic which has been repeatedly and systematically undermined for the past half century, and an ethic without which we shall always be in trouble. Long-term sustainability, environmental issues, care for qualitative, aesthetic and scenic dimensions of any civilisation worth the name, climate change and security all make the ethic an imperative.

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The purveying intention of the Bill is to generate more electricity, but is that really the first priority? Is not the higher priority to assemble all the wit and skills, not least engineering and architectural skills, at our disposal to reduce the escalating need for always-greater energy consumption? With the majority of the world's population yet fully to mobilise their fair demand for energy, does this not become critically urgent? Of course, there are genuflections in the Bill towards conservation but they are not in the engine room of the Bill. They are, in effect, in an aspirational department. Just where are the specific operational targets and who is pinpointed to deliver them? Where are the arrangements for the essential nationwide cultural education on personal responsibility? One has only to walk round the House of Lords at any time, let alone in the evening, to count the number of lights and the amount of equipment needlessly devouring power at unoccupied desks and in empty rooms. Where is our personal example to the nation in all this?

The electricity industry is expressing itself clearly, well and strongly on the Bill. Others in civil society are making challenging and significant observations. I think of Which?, the WWF, the John Muir Trust, the CPRE, the RSPB, the Campaign for National Parks, of which I am glad to be an honorary vice-president, and many others. They raise vital issues, to which I hope the Minister will respond well before Committee.

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